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CHRONICLES

OF THE

BANK OF ENGLAND

CHRONICLES

OF THE

BANK OF ENGLAND

BY

B. B. TURNER

Clerk in the Bank of England

AUTHOR OF "COMMERCE AND BANKING," "GUIDE TO COMMERCIAL KNOWLEDGE," ETC.

WITH ILLUSTRATIONS

LONDON

SWAN SONNENSCHEIN & CO., LIM.

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PREFACE

THE two hundredth birthday of the celebrated Old Lady of Threadneedle Street has come and gone, and little has been said or done in commemoration of the bi-centenary. It has occurred to me that a short history of the Bank during two hundred years of her existence, written in popular style, might be interesting to the public, and I now trust that this humble attempt to produce such a history may prove acceptable.

I am, of course, indebted for much of the following information to previous writers, and in some cases, though not in all, I have stated the names of those writers. I have found Mr. Francis's *History* (now out of print) and past numbers of the *Bankers' Magazine* very useful in the compilation of this work.

In closing, I should like to tender my special thanks to H. Colin Smith, Esq., the Governor of the Bank, for permission to take copies of pictures belonging to the Directors; to H. G. Bowen, Esq., the Chief Cashier, for his valuable assistance, and to other gentlemen in the Bank who have given me help; also to Messrs. Bradbury, Agnew & Co., Limited, for permission to reproduce the picture from *Punch* which will be found at the end of this volume.

B. B. T.

LIST OF ILLUSTRATIONS

	PAGE
The Bank and Adjoining Buildings, 1790	*Frontispiece*
The Hall	26
House of Sir John Houblon	45
The Old Bank	47
The Old Bank, Threadneedle Street Front	64
Charles Price ("Old Patch")	68
William Banning, Gatekeeper	80
Political Ravishment, by Gillray	82
East Facade	164
Bullion Court	165
Lothbury Facade	171
The Parlour	226
The Rotunda	238
A Dirty Crossing, from "Punch"	278

CONTENTS

CHAPTER I.

Banking before the Bank—Early European Banks—Lombards and Goldsmiths—Royal robbery—Banking in the time of Cromwell—Dudley North and private banks—A Bank of England proposed to Government—Other banks started—Paterson's career . . . *Page* 1

CHAPTER II.

The Government in need of money—Paterson's proposition accepted—Opposition to the Bank—Montague's and Godfrey's support—The Bill passed—Success of the Loans—Epitome of the Charter—Commencement of business—Death of the Deputy Governor . . 14

CHAPTER III.

Difficulties of the Bank—Re-coinage—Increase of Capital—The Engrafting Act—Death of William III.—His Statue—Encroachments of France—Conspiracy of the Goldsmiths—Public support—The Mine Adventurers—Monopoly—Renewal of Charter—Sacheverell riots—Consideration of the Queen—War alarms—Death of Queen Anne—Accession of George I.—Reduction of Interest on National Debt—Mississippi Bubble 23

CHAPTER IV.

Origin of the South Sea Company—Plan to transfer the National Debt to the Company—Opposition of Walpole—Rivalry between the Company and the Bank—Wild speculation in South Sea Stock and Bubble Companies—One thousand per cent.—Downfall of the Company—Punishment of the Chancellor of the Exchequer and the Directors of the Company—The "Rest"—A run—New building—Bank Post Bills—Renewal of Charter—Rebellion of 1745—Flight of Prince Charlie 36

CHAPTER V.

Black Friday—Run on the Bank—Notes paid in sixpences—Merchants support the Bank—The Bank supports the Government—Increase of Capital—"Bank Circulation"—Origin of Consols—Issue of smaller notes—Vaughan's forgery—Legal decision as to stolen notes—Renewal of Charter—Robbery by a teller—Penal enactments—Clearing House—Gordon Riots—Enlargement of the Bank . . 53

CHAPTER VI.

Old Patch's frauds—Forged notes—Altered tellers' tickets—Suicide of Patch—George Morland under suspicion—Renewal of Charter—Fenton's frauds—Unclaimed dividends—Panic—London Missionary Society—Bank *versus* Government—A "Solemn Resolution"—Limited discounts . . . . . *Page* 66

CHAPTER VII.

The Loyalty Loan—Small amount of specie—Run on Country Bankers—Crisis—Order in Council—Suspension of payment—Meeting and support of citizens—Depreciation of bank notes and funds—Effect of Pitt's policy—Inconvenience through want of cash—Issue of Spanish dollars—Discussion in the House—Report of Committee—Government's responsibility for the suspension—Evidence of the Governor—Suspension continued till the conclusion of the war—Proposed new bank—Committee of Secrecy—Voluntary contributions for the war—Renewal of Charter—Astlett's frauds—Erskine's defence—Abraham Newland—Bank dollars—Finance Committee and reduction of profits—Notes as "Candlesticks"—A gang of forgers 79

CHAPTER VIII.

The Bullion Committee—Panic—Issue of tokens—Motions in Parliament—Lord King's notice—Lord Stanhope's Act—High price of gold—Acts of Parliament—Conspiracy to raise price of funds—Restriction Act prolonged—Increase of Capital—Notes paid in gold—Grundy's action—Forged notes and capital punishment—Bank prohibited from paying gold for notes—Statement showing surplus—The Currency Bill—Act for prevention of forgery—Cash payments resumed—Turner's frauds 97

CHAPTER IX.

Extension of time for small country notes—Its effect on the Bank—Reduction of Interest on Navy Five Per Cents.—The Dead Weight—Clerks pensioned off—Fauntleroy's forgeries—His execution—Panic of 1825—Evidence of Bank Officials—Failure of Pole & Co.—Causes of the Panic—Help rendered by the Bank—Saved by an Old Box of Notes 114

CHAPTER X.

Banking Reform—Proposals of the Government—Objections and consent of the Bank—Lord Liverpool's speech—Abolition of Notes under £5—Money advanced on goods—Bank's monopoly curtailed—Introduction of Joint Stock Banks—Branch Banks established—Opposition of country bankers—Conversion of "New Fours"—Fears of attack on the Bank—Forgery and circulation of forged notes—Opposition to the death penalty—Petitions—Alteration of the law—Politics and gold—Committee of Secrecy—Renewal of Charter . . . 124

CHAPTER XI.

The War of the Banks—The Act respecting Joint Stock Banks—Formation of the London and Westminster Bank—J. W. Gilbart—Applications to Committee of Bankers and Bank of England refused—Action brought by the Bank of England—Failure of the Governor—Speculation and depression—Banks in difficulties—The Northern and Central Bank—£108,000 left in a cab—Disgraceful disclosures—Large advances—Specie reduced five millions—Forged Exchequer Bills—Mr. Smee's improvements—Light Sovereigns—Hoarded notes—The Bank Act—Petitions and deputations—Provisions of the Act—Robbery of Consols . . . . . *Page* 141

CHAPTER XII.

Alteration of Rate objected to—Speculation and panic—Railway mania—Opinions on effect of the Bank Act—Committees of the Lords and Commons—Causes of the Crisis—Bank Act suspended—Bank rate eight per cent.—Letter from the Government—Reply of the Bank—Suspension removed—Reports of the Committees—Four o'clock closing—Building improvements—Splitting notes—Stolen note cashed—Penalties paid by clerks—New plan for holidays—Bank clerks' Library—Mr. Gladstone's Conversion Bill—Discussion of Charter—Notice to open the Bank at ten o'clock—Objections of private bankers 155

CHAPTER XIII.

A new Bank Note—Increase of note circulation—The Crimean War Loan—Monetary crisis—Sowing seeds of discredit—Fictitious warrants—Career of J. W. Cole, of Maltby, of Davidson and Gordon—Overend, Gurney & Co. and the sham warrants—Evidence of D. B. Chapman and his clerk—Opinion of the public—A series of frauds—Strahan, Paul, & Bates—Arrest of the bankrupts—Escape and surrender of Paul—Suicide of James Sadleir—His crimes—Remorse—Robson and Redpath—The Royal British Bank—London and Eastern Banking Corporation—Western Branch opened 172

CHAPTER XIV.

Committee on the Bank Charter Act—Increase of deposits—Discount brokers and overtrading—The Crisis of 1857—Its cause—Failures in America, Liverpool, and Scotland—Remarks of the *Times*—Action of the Bank—Great drain of gold—Letter of the Government—Reply of the Bank—Disasters of the Crisis—The Bank and the Bill Brokers—Another panic—Negotiation with the Bank of France—Reduction of Government allowance—Clerks in difficulties—Petition on the currency—The Great Exhibition—Robbery from Portal's mills—Trial and sentences 192

CHAPTER XV.

The Bank joins the Clearing House—Pressure, and speculation in Limited Companies—Overend, Gurney & Co., Limited—Note circulation increased—Crisis—Bank failures—Failure of Overend's Co.—Black Friday—Application to Government—Correspondence between the Bank and the Government—Suspension of the Bank Charter Act—Effects of the panic—Prosecution of the Overend Directors—Acquittal—Opinion of the Lord Chief Justice—Plentiful gold—War on the Continent—Bank Holidays Act—Effects of the peace—Fluctuations in the Bank rate—Exhibition of Bank Note paper—Forged bills at the Western Branch—How the frauds were accomplished—Detection—Colonel Francis defended—Trial and conviction of forgers—The Governor on the robberies . . *Page* 207

CHAPTER XVI.

Quiet times—Bank Meeting—Bimetallism—The Paris Conference—Attitude of the Bank—Extent of the Bank's work—An unusual meeting—Address to the Queen—Subscriptions of the Bank to various funds—The Directors' pay increased—Suffel *v.* Bank—Gattie *v.* Bank—Gattie *v.* Grenfell—National Debt Conversion Act—Remarkable discovery of forged notes—Saturday Early Closing . 225

CHAPTER XVII.

Increase of note issue—Conversion of the National Debt—Mr. Goschen's Resolution—High pressure at the Bank—Sir Mark Collet—High price of Bank Stock—Robbery by an agent—Detection and flight—Opening of the Law Courts Branch—*Answers'* prize—Scene at the Threadneedle Street entrance—Light gold called in—Gold-weighing machines—Position of the Bank in regard to interest on deposits—Bank of England Club—*Re* Vagliano Bros.' appeal to the House of Lords 241

CHAPTER XVIII.

The Vagliano case—Glyka's forgeries—Action in Court of Queen's Bench—Judgment—The Bank appeal—Appeal dismissed—Public opinion—Bank of England *v.* Vagliano Bros. in the Lords—Final victory of the Bank—Threatened panic—The Baring crisis—The Barings—Argentine finances—Collapse of Baring Bros. & Co.—Application to the Bank—Action of the Bank—Guarantee fund—The new Baring Company—Praises awarded to the Bank—Freedom of the City to Mr. Lidderdale—Banquet at the Mansion House—Barings' enormous liabilities—Run on the Birkbeck Bank—Queensland loan controversy—Management of the National Debt—Increase of Governors' Salaries 256

CHAPTER XIX.

Increase of note issue—Women Clerks—Building alterations—Daily and Nightly Watch—Resignation of the Chief Cashier—Criticisms and Comments—*Punch's* cartoon—New appointments—Conclusion 275

CHRONICLES

OF THE

BANK OF ENGLAND

CHAPTER I.

Banking before the Bank—Early European Banks—Lombards and Goldsmiths—Royal robbery—Banking in the time of Cromwell—Dudley North and Private Banks—A Bank of England proposed to Government—Other Banks started—Paterson's career.

THE Bank of England, the greatest monetary institution of the world, was incorporated by Act of William and Mary in the year 1694, and commenced business on January 1st, 1695.

In order properly to understand its history one must realize the times and circumstances in which it arose. Such wonderful progress and development have taken place during the last two hundred years that it is almost as difficult to transport oneself in imagination to the scenes of 1694 and the few

preceding years as it would be to realize the Britain of the Romans or the Saxons. Nevertheless we will endeavour in this chapter to look at the condition of banking in the days before William Paterson's scheme of a National Bank was accepted as a matter of "practical politics."

As I have stated in a former work,[1] "Banks had existed in some continental countries for some hundreds of years, and as the commerce of Britain increased, the want of a National Bank was felt in this country. The Bank of England has succeeded to the position formerly held by the Bank of Amsterdam as the monetary centre of the world." Although the Bank of Amsterdam had, in 1694, only existed about eighty years, some of the banking institutions of Europe date from a much earlier period. The earliest European Bank was established at Barcelona about the year 1400, and the Bank of Saint George was founded at Genoa some fifty years later. Private banks are of greater antiquity. The Lombard Jews commenced banking in Italy in the year 808. Some of these Lombards afterwards came to London and settled in the narrow thoroughfare which is called, after them,

[1] *Commerce and Banking.*

Lombard Street, and which is to-day a street of banks.

In the sixteenth century merchants and bankers (or goldsmiths as they were then called) kept their surplus cash in the Exchequer and the Mint. In the opinion of some writers[1] the financial dodges of previous monarchs—the two Charleses and James II.—prepared William III. and the nation for founding and accepting the new Bank. In 1640 Charles I., being out of favour, was refused a loan by the City of London. Being in urgent need of money he hit upon the expedient of seizing the sum of £200,000 which had been lodged in the Mint and compelling the owners to consider it a *loan*. By this stretching of the "divine right of kings" many goldsmiths were ruined. A similar robbery was committed in the year 1672 by Charles II. on a larger scale and with more disastrous results. The bankers were in the habit of depositing their surplus floating capital in the Exchequer and withdrawing their money once a week in order to meet their engagements. Charles wanted to raise £1,500,000 without applying to Parliament, and on the suggestion of Sir Thomas Clifford, who was

[1] E. E. WHITFIELD, in *Commercial Science*.

acting in the French and Papal interest, he helped himself to that sum out of the Exchequer funds belonging to the bankers. When this was done both the bankers and their customers were ruined, and a general suspension of payments resulted. In 1690 James II. debased the currency by coining old guns, brass, pewter, etc., and made a weight of metal which was only worth threepence or fourpence pass current for ten pounds sterling. When we consider to how great an extent commercial prosperity depends on the stability of public credit, we can understand how such acts of royal robbery prepared the people to welcome the reforms of banking and currency which William supported.

The above were only some of the causes which led to the establishment of the Bank. The failure of some of the goldsmiths caused the merchants to lose considerable sums of money and drew attention to the necessity for a stronger basis of credit. During the Protectorate of Cromwell banking developed to a great extent. It was then that the modern system of payment by cheque and bank-notes originated or, at any rate, came into pretty general use. Merchants and others deposited their

money with the goldsmiths and received from them receipts or "cash notes." These were called "goldsmiths' notes," were payable on demand, and were transferred from one holder to another in payment of debts. One Samuel Lamb (Thorold Rogers says John Lambe) in 1656 and again in 1658 tried to induce Cromwell to establish a National Bank, but he was unsuccessful. Possibly the Protector had as much business on hand at the time as he could well manage, and his death in the latter year put an end to the project.

Macaulay, in his *History of England*, gives a graphic account of the condition of banking prior to the establishment of the Bank of England; but occasionally that brilliant writer appears to have been carried away by his own eloquence. He states that, "In the reign of William old men were still living who could remember the days when there was not a single banking-house in the city of London. So late as the time of the Restoration every trader had his own strong box in his own house, and when an acceptance was presented to him, told down the crowns and the caroluses on his own counter." No doubt the old-fashioned ways of business had not then quite died out, and many

people probably, like Sir Dudley North, preferred the old ways to the new; but more than one of the banking-houses still existing in and near the city were doing business more than a century before the days of William III. The Bank of Child & Co., in Fleet Street, dates back to the year 1559—more than a hundred years before the establishment of the Bank of England. Martin's Bank, of 68, Lombard Street, is said to have been founded by Sir Thomas Gresham in the reign of Queen Elizabeth. The Grasshopper, whose effigy still surmounts the Royal Exchange, was the sign by which Martin's Bank was known until 1770. Gosling's and Hoare's Banks, in Fleet Street, are mentioned as being in existence in the years 1650 and 1677 respectively.[1] The new system grew in favour, notwithstanding the opposition and protests of the Dudley Norths. The aforesaid Sir Dudley North was in a weak moment induced to put some of his money into one of the Lombard banking-houses. Unfortunately the Lombard Street man failed, and although Sir Dudley lost only fifty pounds his dislike to the new banking system was greater than ever, and he continued to caution his friends against the

[1] *Handbook of London Bankers*, by HILTON PRICE.

pitfalls that were laid to entrap them. This opposition, however, was vain; as Macaulay says, "The advantages of the modern system were felt every hour of every day in every part of London, and the people were no more disposed to relinquish those advantages for fear of calamities which occurred at long intervals than to refrain from building houses for fear of fires, or from building ships for fear of hurricanes."

Private banking being now thoroughly established, people again discussed the desirability of having a National Bank, and several schemes were promulgated. In 1683 a Bank of Credit was opened at Devonshire House, Bishopsgate Street. Customers deposited goods and were furnished with bills to the amount of three-fourths of their value. In order to render these bills current an association was formed of members of different trades, who agreed to accept these bills instead of cash in payment for goods. In 1691 William Paterson submitted to the Government a plan of a National Bank, and although his plan was favourably received by both politicians and merchants, nothing came of it at that time.

A plausible, but much less business-like proposal,

however, did find acceptance. In December, 1693, a Mr. Chamberlayne submitted to the House of Commons his plan, which he called the Land Bank. Absurd as it may seem, he undertook to raise eight thousand pounds on every freehold estate of a hundred and fifty pounds which should be brought into his bank, and this without dispossessing the freeholders. Although such an estate would not fetch more than three thousand pounds in the market, the bait took, and the Land Bank gave some trouble in after years to the young Bank of England. Chamberlayne's Bank had but a short life, it failed in 1696.

All this time a man was working and thinking whose ideas were to produce lasting effects on the history of this country and on the finances of the world. His name was William Paterson, and a short sketch of his life may not be out of place here. He was the son of a farmer of Skipmyre, in the parish of Tinwald, Dumfriesshire, and was born in April, 1658. He had considerable inventive power, a good knowledge of finance, and great energy and perseverance. One of his ventures, the Darien Company, involved others as well as himself in great disaster; but probably that gigantic failure

was due to the dissensions and follies of others rather than to any fault of his own. He was probably brought up a Puritan, for we are told that early in life he left his home partly to escape from religious persecution and partly from a desire for a wider field of life. He started off with a pedlar's pack, travelled through England, and for a short time settled in Bristol. Afterwards he went to the West Indies and lived chiefly in the Bahamas. As little was known of that period of his life, scandal had something to say about it. He was said to have been both preacher and buccaneer. "His friends said he had been a missionary, his enemies that he had been a buccaneer." Before he was twenty-nine years of age he was back in Europe, and tarried in Hamburg, Berlin, and Amsterdam. It was in the last-named city, in the year 1687, that he first made known his Darien colonization scheme, and in 1690 he was associated with others in the formation of the Hampstead Water Works. In 1691 he submitted to the Government his plan for a National Bank, at that time with no practical result. In 1694 he was a director of the newly-formed Bank of England, but his name only appeared in the list for a short time.

In the same year he published his plan for a colony at Darien, and suggested the formation of a company to be called "The Company of Scotland for trading to Africa and the Indies." Paterson had become acquainted with the Isthmus during his stay in the West Indies; he was enamoured of its natural advantages, and soon began to contemplate its colonization.

The Isthmus of Darien or, as it is now generally called, Panama, brought loss and misfortune to Scotland through the "Company" two centuries ago on a similar, if smaller scale, to that it brought recently to France by means of the "Canal." And some of the reasons put forward for the construction of the Panama Canal were almost identical to those given for settling a Scotch colony on Darien. Its central position as a place of trade between East and West was dwelt upon. Paterson wrote, "The expense of navigation to China, Japan, the Spice Islands, and the greatest part of the East Indies will be lessened more than half, and the consumption of European commodities and manufactures will soon be more than doubled. Trade will increase trade, money will beget money, and this trading world shall need no more to want work for their

hands, but will rather want hands for their work." So it seemed to Paterson and to others, and so it might have been if events had been favourable. The new company was to become a second East India Company. The king and the English people at first gave it some support, but the patronage of the former was withdrawn, as Parliament, stirred up by the East India Company, opposed the scheme. Paterson then turned to Scotland. His proposal was taken up with enthusiasm by his fellow-countrymen, and Edinburgh was mad with excitement; all classes in the country rushed to subscribe to the fund; the sum of £400,000, a large amount for Scotland in those days, was subscribed. The company was formed in 1695, and by July 26th, 1698, five vessels had sailed from Leith carrying twelve hundred persons, many of them being men of birth and influence. The loss of a considerable sum of money prevented Paterson being employed by the company in any official capacity, so, taking his wife with him, he joined the expedition as a private individual. Paterson purchased land of the Indians, and the colonists built a fort and established a station, but troubles came thick and fast; the Spaniards opposed and harassed the new settlement; provisions that

should have reached them in good time were delayed; quarrels arose among the settlers; scarcity of food and the unhealthy climate brought sickness and death, and finally the remains of the company which had gone out in such joy and confidence returned dispirited to Scotland. Mrs. Paterson had died, and Paterson himself was so ill that he had to be carried on board ship. He reached home in December, 1699. On recovering his health he did his best to prevent the entire failure of the colony, and tried to induce King William to enter on a new Darien expedition. He then made a proposal for a Company of Trade to develop the resources of Scotland. In 1700 he removed to London and helped to establish the Union of the two Crowns. One of the last acts of the Scottish Parliament was to recommend him to Queen Anne for recognition of all he had done and suffered. He was afterwards returned to the United Parliament at Westminster as member for the Dumfries burghs. Paterson was now getting on towards sixty, and had had great losses. It was admitted in England as well as in Scotland that his services should receive some public acknowledgment and reward. Government decided to take the matter in hand, but was slow in carrying

out its good intentions. Two or three sums of £50 to £100 stand in Paterson's name in the Queen's Bounty Lists of 1712 and 1713. In 1715 Parliament ordered that the sum of £18,241 10*s.* 10*d.* should be paid to him, but he found some difficulty in obtaining it, if indeed he ever succeeded in doing so. He died in London on January 22nd, 1719, in the sixty-first year of his age.

CHAPTER II.

1694–1695

The Government in need of money—Paterson's proposition accepted—Opposition to the Bank—Montague's and Godfrey's support—The Bill passed—Success of the loan—Epitome of the Charter—Commencement of business—Death of the Deputy-Governor.

AS previously stated, Paterson first laid his scheme for a National Bank before the Ministers in 1691. Nothing was done for three years. In 1694, in consequence of the expense of the war with France, the Government were in urgent need of funds in order to complete the Estimates for the year. After imposing all possible taxes, there was still a deficit, so it was decided to borrow the lacking amount. One million was raised by a lottery loan. Another million was required, and that it was resolved to raise by means of Paterson's proposed bank.

All reforms and great inventions that have tended to shake settled beliefs or to upset established methods have had to contend with bitter prejudice

and violent opposition. It has been so in religion, in science, and in politics, in the introduction of machinery to manufactures, and in the adoption of railways. It was so to some extent when it was proposed to establish a National Bank in England. That a radical change was needed in our monetary system was manifest to many. After the Revolution, William's Government was continually in straits for money. The usual mode for obtaining advances was for the Government to apply to the Corporation of the city, and the officials of the Corporation applied to the separate wards to supply in smaller sums the amount they had advanced to the State. Thus it was that interest and premiums were paid to the extent of 25 and 30 per cent., and the trader found his pocket filled at the expense of the public.[1] The promoters of the Bank proposed to rectify this state of affairs, and strenuous opposition was the result. The capitalist and the money-lender opposed from fear of diminished profits; the goldsmith or private banker because he foresaw the curtailing of his privileges; the Tory opposed because he knew that the more easily the Whig Government found the means of

[1] *History of the Bank of England*, by JOHN FRANCIS.

carrying on the war the less likelihood was there of William's authority being overthrown and the house of Stuart being restored. Paterson some years afterwards wrote: "The erection of this famous Bank not only relieved the Ministerial managers from their frequent processions into the city for borrowing money on the best and nearest public securities, at 10 or 12 per cent. per annum, but likewise gave life and currency to double or treble the value of its capital in other branches of the public credit, and so, under God, became the principal means of the success of the campaign in 1695; as particularly in reducing the important fortress of Namur, the first material step towards the peace concluded in 1697."

Mr. Godfrey, the first Deputy Governor of the Bank, in a pamphlet published about this time, said that "all the several companies of oppressors are strangely alarmed, and exclaim at the Bank, and seem to have joined in a confederacy against it out of pure zeal (as they pretend) for the good of the publick; whereas 'tis nothing but their private interest that has so settled them, to see their crafts and trades of oppression endangered; for extortion, usury, and oppression were never so

attacqued as they are like to be by the Bank, and 't is that which has engaged them to use all the arts and tricks they could invent to blemish it. . . . There are others who pretend to be against the Bank, lest it should hereafter joyn with the prince to make him absolute, and so render Parliaments useless."

Paterson's two principal supporters were Mr. Montague, the Chancellor of the Exchequer, and Mr. Michael Godfrey, one of the richest and most esteemed merchants of London. The former exerted his influence in the House of Commons, and the latter in the city. After Mr. Paterson's plan had been approved by the Committee of Ways and Means, a Bill, the title of which caused some amusement, was brought in and passed. "It was, indeed" (wrote Macaulay), "not easy to guess that a Bill, which purported only to impose a new duty on tonnage for the benefit of such persons as should advance money towards carrying on the war, was really a Bill creating the greatest commercial institution that the world had ever seen." The Bill authorized the Government to borrow £1,200,000, at 8 per cent. Eight per cent. seems to us now to be good interest, but then it was considered very moderate, for money was dearer in those days,

and the credit of the Government was not nearly so good as it is now. Something more was needed to get the public to advance the required sum promptly at that rate of interest, therefore, as an inducement to capitalists to come forward, the subscribers to the loan were to be incorporated by the name of the Governor and Company of the Bank of England. This corporation was to have no monopoly, and was restricted from trading in anything except bills of exchange, bullion, and forfeited pledges. The monopoly the Bank afterwards possessed in being the sole Joint Stock Bank was not conferred until the reign of Queen Anne. The Act 5 and 6 William and Mary, c. 20, received the Royal Assent, and the Charter was dated July 27th, 1694. The sum of £1,200,000 asked for was subscribed in a few hours by about forty London traders. The motives which contributed to the rapid success of the loan were political as well as financial, for the Whig party, which favoured the exclusion of the house of Stuart, were the leaders of the movement.[1] For many years after its formation the Bank was a steady supporter of the Government.

[1] *Introduction to the Commercial Sciences*, by E. E. Whitfield, M.A.

A copy of the Bank Charter *in extenso* would occupy many pages of this work; we will, therefore, be content with a record of some of the more important features of

"*The Charter of the Corporation of the Governor and Company of the Bank of England.*"

"William and Mary, by the grace of God King and Queen of England, Scotland, France, and Ireland, Defenders of the Faith, &c. To all to whom these presents shall come, greeting."

1. The rates and duties upon tonnage of ships and vessels, and upon beer, ale, and other liquors, are made security to such persons as shall voluntarily advance the sum of fifteen hundred thousand pounds towards carrying on the war against France.

2. To incorporate all and every such subscribers and contributors, their heirs, successors, or assignees, to be one body corporate and politic, by the name of *The Governor and Company of the Bank of England.*

3. Sir William Ashhurst, Kt., Lord Mayor of London, and others, are appointed Commissioners to receive subscriptions, to be made on or before August 1st, 1694.

4. The board of management to consist of a governor, a deputy governor, and twenty-four directors; the governor or deputy governor and any thirteen directors (or more of them) to be called a court of directors for the ordering . . . . the affairs of the said corporation. Sir John Houblin, Kt., and Michael Godfrey, Esquire, are appointed the first

governor and deputy governor respectively. The first directors are also appointed; among them appears the name of William Paterson.

5. The forms of oaths are given for the swearing in of the governors and directors and for other members of the said corporation, having each five hundred pounds or more interest or share in the capital stock before they shall be capable to give any vote in any general court. "Provided, nevertheless, that any person or persons, commonly called or known to be Quakers . . . shall and may instead of the oaths hereby prescribed . . . solemnly promise and declare . . . and subscribe the same together with the declaration appointed for such dissenters as scruple to take oaths, by another act made in the first year of our reign, entitled, *An Act for exempting their Majesties' Protestant subjects dissenting from the Church of England, from the Penalties of certain laws. . . .*"

6. Regulations as to making dividends.

7. Provides for general courts being summoned from time to time upon demand of nine or more members, each of them holding £500 or more stock.

8. Power given to governors and directors to make bye-laws.

9. Regulations made and forms given for transfer of stock.

The Bank had now a legal existence, and preparations were soon made for the commencement of business. At this early period of its history the secretaries and clerks numbered fifty-four persons, and their salaries during the first year amounted

only to £4350, giving an average of about £80 11*s.* each. "The Bank" as a building did not yet exist. The Corporation for a few months used the Mercers' Hall, and afterwards removed to the hall of the Grocers' Company, where they opened the Bank to the public on January 1st, 1695, and bank-notes were issued, the lowest amount being £20.

In that year the directors lost their deputy governor in a sudden and remarkable manner. William was at the seat of war. The allied armies had suffered reverses and had to retreat before the soldiers of Louis. The Bank supplied needed funds which greatly contributed towards changing defeat to victory. Michael Godfrey left England to make arrangements with the king for the conveyance of specie to the army. William was actively engaged in the siege of Namur, and Godfrey, anxious to forward his mission as speedily as possible, and perhaps also to see something of the fight, visited the king in the trenches. William, who was always ready bravely to hazard his own life in doing his duty, greatly disliked others to run needlessly into danger. When the civilian, the deputy governor, presented himself before him, he exclaimed, "Mr. Godfrey, you ought not to run this hazard;

you are not a soldier, and can be of no use to us here." "Sire," said Mr. Godfrey, "I run no more risk than your Majesty." "Not so," replied the king, "I am where it is my duty to be; and I may without presumption commit my life to God's keeping, but you——" Before the sentence was completed a cannon ball from the ramparts laid Mr. Godfrey dead at the king's feet. His body was brought over to England and buried in St. Swithin's church, near the Bank of England.

CHAPTER III.

1696–1720

Difficulties of the Bank — Re-coinage — Increase of Capital — The Engrafting Act—Death of William III.—His Statue—Encroachments of France—Conspiracy of Goldsmiths—Public Support—The Mine Adventurers — Monopoly — Renewal of Charter — Sacheverell Riots—Consideration of the Queen—War alarms—Death of Queen Anne—Accession of George I.—Reduction of interest on National Debt—Mississippi bubble.

NOW that the Bank had so far overcome its initial obstacles and was in working order, it must not be supposed that all its affairs were "as merry as a marriage bell." The days had not yet arrived when the proprietors should meet only once every half year for the purpose of hearing a report and agreeing to a dividend; on the contrary, they were often called together to share with the directors their responsibility and to decide with them what steps should be taken in cases of emergency. The time had not yet come when "safe as the Bank" should become a proverb, for in the third year of the life of the corporation it was compelled to suspend

payment. Several causes combined to bring about that suspension, among them being the dislocation of business consequent upon the failure of the Land Bank, and the troublesome, but necessary, re-coinage of silver. The silver coin of the realm was in a disgraceful condition, the result of years of neglect and bad practices. The debased gun-metal money of James II., the continued clipping and filing of the better coins, and the large amount of counterfeit coin (also clipped and filed to represent the real) in circulation had reduced the currency to such a disgraceful and inconvenient condition, that the Government resolved at all costs to put it right. Sir Isaac Newton, the Master of the Mint, was the moving spirit in the business. As the Bank had taken the clipped money at its nominal value, they were involved in considerable loss when the old coins were called in, many of the shillings containing only three-pennyworth of silver, and when the notes issued in exchange for them came in there was a great scarcity of cash in consequence of the re-coinage being then in process, so that the Bank had not sufficient in hand to meet all demands. They therefore paid portions of the notes only in cash at regular intervals, but their

credit was now so good that their creditors received sealed bills bearing interest instead of specie. The directors made every effort to bear the strain put upon them; two separate calls of twenty per cent. each were made upon their shareholders; sealed bills bearing six per cent. interest were given in exchange for bank-notes; Exchequer bills for £5 and £10 were issued and were passed as cash; they also during the re-coinage allowed persons who chose to keep an account with the Bank to "transfer any sum under £5 from his own to another man's account." When these difficulties were over the Government authorized the Bank to add £1,001,171 10*s.* to the original Stock, four-fifths of the subscriptions being received in tallies and orders, and one-fifth in bank-notes at their full value, and the Charter, subject to certain alterations, was prolonged to August, 1710, and beyond that period in the event of the Government debt to the Bank not being repaid by that date. The tallies had been at 40, 50, and 60 per cent. discount, and bank-notes at 20 per cent. This engrafting act, as it was called, was framed for the restoration of public credit, and it effected that by the rescue of the Exchequer tallies and orders from the stock-

jobbing harpies who had preyed upon the public, and by cancelling the depreciated bank-notes. By the same Act of Parliament forgery of the Bank's seal, notes or bills was made felony without benefit of clergy.

Probably the affairs of the Bank now progressed for a time with comparative smoothness, as there is nothing particular to record of the next few years. Early in 1702 the Bank lost its earliest royal patron by the death of William III. Though more of a Dutchman than an Englishman, and never a popular monarch, he benefited England by his vigorous adherence to the Protestant cause and by the impetus he gave to the progress of financial order and commercial prosperity in founding and supporting the Bank of England. His statue in marble may be seen in the hall of the Bank just by the door of the Treasury. It was erected in 1735. The king is draped in Roman costume, and stands on a pedestal on which is an inscription in Latin. This may be some excuse for the illiterate person who was showing a stranger through the building, saying (in the hearing of the present writer), "That is a statue of Julius Cæsar!"

During the first years of the new century the

THE HALL OF THE BANK, SHOWING THE STATUE OF KING WILLIAM III.

encroachments of France alarmed the whole of Europe, and adversely affected the public credit in this country. The credit of the Bank was usually in sympathy with that of the Government, so on this occasion also that institution suffered from the strain. In the year 1700 Louis, under the pretence of a will in favour of his grandson, annexed the kingdom of Spain to his dominions. Again in 1704, in consequence of an insurrection in Hungary and the invasion of Germany by the French, the public were greatly alarmed, the funds went down, and there was a great demand for specie, so that the directors again were under the necessity of issuing sealed bills bearing interest, in order to support their credit. But brighter times soon returned in consequence of the successes of the Fleet and Army of England. On July 21st, 1704, Admiral Rooke attacked Gibraltar and captured the fortress six days later. On August 13th the brilliant victory of Blenheim was won by the Duke of Marlborough with the allied forces.

The bright days of the Bank, however, were not of long duration. In 1707 great preparations were made in France, under the patronage and with the assistance of the Pope and Louis XIV., for the

invasion of our shores by the Pretender. As soon as an invasion was anticipated by the public the price of funds declined 14 per cent., a great demand for gold arose, and a run on the Bank appeared probable. The danger to the Bank was intensified, according to report, by a conspiracy against it, formed by some of the goldsmiths of Fleet Street. One of these firms amassed a large number of bank-notes, and another saved up as many as amounted to £100,000, with the object of demanding payment for them all at once.

The friends of the Bank were as ready to defend that institution in time of danger as others were to attack it. A call of 20 per cent. was made on the proprietors. The Queen, through the Lord Treasurer, informed the directors that she would allow 6 per cent. interest on their sealed bills for six months. Many of the nobility offered to advance considerable sums of money; other persons having accounts with the Bank, instead of withdrawing their deposits when the run commenced, paid in as much as possible. One man, who had only £500, took it to the Bank; on hearing of this the Queen sent him £100 and gave him the security of the Treasury for the repayment of the whole

£500. By this means the Bank was enabled to tide over another period of difficulty and preserve its credit. In 1708 the proposal to renew the Bank Charter till 1732 gave rise to much discussion, and pamphlets for and against the Bank issued from the press. One form of opposition to the Bank's interests took a more than verbal shape. A number of persons, including several peers, formed themselves into a Company under the style of the Company of Mine Adventurers, and conducted the business of a bank, issued notes, and circulated bills. The Mine Adventurers did not adventure long. Sir Humphrey Macksworth, the projector and moving spirit of the concern, was tricky and unscrupulous. By his fraudulent practices he hastened the fall of the Company, which never had any stability. He falsified the accounts, bought lead from other mines which he represented to have come from his Company's mine, and bought silver which he sent to the Mint as having been extracted from his Company's lead. When the trickery was discovered he was censured by the House of Commons as being guilty of "scandalous frauds," and a bill was passed to prevent his leaving the country. But Sir Humphrey was a Tory, so

his friends in the House of Lords opposed the bill, and it was thrown out. It was partly in consequence of the rivalry of the Company of Mine Adventurers that the clause which gave the Bank of England a monopoly in constituting it the only joint-stock bank in England was inserted in the Act. This monopoly took effect in 1709, and continued unaltered till the reign of George IV. The clause is as follows: "That during the continuance of the said Corporation of the Governor and Company of the Bank of England, it shall not be lawful for any body politic or corporate whatsoever, created or to be created, other than the said Governor and Company, or for any other persons whatever, united or to be united in covenant or partnership, exceeding the number of six persons in England, to borrow, owe, or take up any sum or sums of money on their bills or notes payable on demand, or at a less time than six months from the borrowing thereof."

The extension of the Charter has usually been conducted as a kind of bargain. The Government confers certain privileges upon the Bank, and in return the Bank gives some accommodation to the Government. In 1708 the agreement was come to in consideration of the Bank enabling the

Government to circulate Exchequer bills on the security of the house duties. To effect this object the Bank undertook to cancel £1,500,000, the interest being 6 per cent. until redemption of the principal. The principal and interest together amounted to £1,775,027 17*s.* 10½*d.* This was the first occasion on which the Bank undertook the circulation of Exchequer bills. In addition to this the Bank agreed to advance £400,000 to the Government without interest. More money was required in order to meet these expenses; a call on the proprietors of 15 per cent. brought in the sum of £656,000 odd, and subscription lists were opened for upwards of two millions. The increased confidence which the public had in the Government and the Bank is shown by the fact that a great crowd of people came to invest their money, the whole sum was subscribed between the hours of nine a.m. and one p.m., and another million could easily have been taken on the same day if it had been required. These measures raised the capital of the Bank to £5,058,547 1*s.* 9*d.*

Several times during its history the Bank has been endangered by violent mobs. One of these times was the year 1709, when Dr. Henry

Sacheverell, a clergyman of the Church of England, who had been a Whig, but became a violent Tory, preached a sermon before the Lord Mayor and Corporation of the City at St. Paul's. In it he attacked certain members of the Government, the Lord Treasurer being designated "Volpone." The vulgar impudence of this sermon excited disgust in many quarters; the Corporation omitted the customary request that the sermon should be published, and Sir Gilbert Heathcote, one of the directors of the Bank of England, protested against it. But Sacheverell got the sermon printed and himself arrested and impeached. The populace sided with the reverend Doctor, accompanied him to Westminster Hall, and shouted, "God bless the Church and Dr. Sacheverell!" Some dissenting chapels were attacked, pews and pulpits, hymn-books and Bibles, were made into a great bonfire in Lincoln's Inn Fields. A church, through lacking a steeple, was mistaken for a conventicle and shared the same fate. The Queen, the Ministers, and the respectable part of the community, including the directors of the Bank, became alarmed at the state of affairs. The directors sent to the Secretary of State requesting a guard to be sent to repel any

attack that might be made on the Bank. The Earl of Sunderland communicated the message to the Queen, who immediately sent horse and foot into the City, leaving her own person unprotected. On being remonstrated with she nobly replied, "God will be my guard." Now the tables were turned; the rioters became alarmed and beat a retreat; the Bank was saved, and this absurd semi-religious riot was ended.

In 1710 the Queen intended to change her Ministers. "In June," as recorded by Bishop Burnet, "she dismissed the Earl of Sunderland from being Secretary of State, and presented the Seals to Lord Dartmouth, a Tory. This gave alarm both at home and abroad, but the Queen, to lessen that, said to her subjects here, in particular to the Governor of the Bank of England, that she should make no other changes." Evidently the good opinion of the directors of the Bank was now thought to be of some importance in political circles.

During this year there appeared to be a prospect of peace with France, and Bank Stock rose from 110 to 129; but when it was found that the French king had resolved to continue the war, it fell to 107. In 1713 several circumstances gave rise to a demand

for gold, which put some temporary pressure on the Bank's resources. The Queen was seized by a serious illness at Windsor, and there were reports of a threatened invasion by France on behalf of the Pretender. The run on the Bank assumed such alarming dimensions that the directors thought it necessary to send a deputation to the Lord Treasurer, informing him of the danger to public credit, and measures were promptly taken for its support; but the aspect of affairs speedily improved when the Queen got better, the reports of a coming invasion proved unfounded, and the Pretender remained abroad.

The health of the Queen was not of long duration; in 1714 she died. When her end was approaching uncertainty prevailed as to her successor; some thought she would name the Pretender, others thought it would be the Elector of Brunswick. Plotting and intrigue were going on, and public credit was shaken. The price of Bank Stock fell from 126 to 116, and there was a run on the Bank which lasted for several days. The efforts of the Jacobites were unavailing; the Elector was hurried over to England, was proclaimed King under the title of George I., and the run on the Bank ceased.

In the following year the directors co-operated with the Government in reducing the interest on the National Debt from six to five per cent., and all the fundholders accepted the proposed terms. In order to effect this arrangement, three bills, called the Bank Act, the South Sea Act, and the General Fund Act, were passed through Parliament. In 1718 subscriptions to Government loans were for the first time received at the Bank, and that practice has continued to the present time.

In the years 1719 and 1720 France was convulsed by the gigantic Mississippi scheme of the notorious Scotchman, John Law. It is unnecessary to enter into the particulars of that scheme in this history, but it is possible that the mania which prevailed in France during those years may have infected the citizens of this country; it is certain there were many points of similarity between the Mississippi Company and the South Sea Bubble.

CHAPTER IV.

1720–1745

Origin of the South Sea Company — Plan to transfer the National Debt to the Company—Opposition of Walpole—Rivalry between the Company and the Bank—Wild speculation in South Sea Stock and Bubble Companies—One thousand per cent.—Downfall of the Company—Punishment of the Chancellor of the Exchequer and the Directors of the Company—The "Rest"—A Run—New building—Bank Post Bills—Renewal of Charter—The Rebellion of 1745—Flight of Prince Charlie.

THE Bank of England had existed nearly a quarter of a century when it was affected by one of those periods of financial speculation, amounting almost to monetary madness, which have occurred at various times and in different countries. Everybody seemed possessed with the desire of becoming suddenly rich. The most absurd proposals, put forward by designing and unprincipled men to entrap the eager investor, were readily accepted. Stocks and prices rose to an enormous height till at last the bubble burst, and the crash came bringing disaster and ruin to thousands. The Government, the Bank, and the public were all to

some extent responsible for this state of affairs, either by fostering the excitement, or by being carried away by it. We will now recall the principal facts of this stirring time.

The South Sea Company was projected in 1710 by the Prime Minister, Harley, afterwards Earl of Oxford, in order to raise money for the reduction of the interest on the National Debt.

"But the necessities of the nation increased rapidly, and in the year 1720 a plan was arranged by which the South Sea Company should become the sole national creditor, and should loan to the Government new sums at an interest of four per cent. New monopolies were to be given to the Company; and it, on the other hand, offered to give a bonus of three million pounds to the Government. The Bank of England, jealous of the proposal, offered five millions for the same advantages. The directors of the Company then bid seven millions for their charter—nearly enough to pay off the whole redeemable debt of the nation. This, however, could not be accomplished so long as there were, in addition, irredeemable annuities to the amount of eight hundred thousand pounds yearly.

"To get rid of these became, therefore, now the first object of the Government, and this, it was seen, would be effected if the national creditor could be induced to accept shares in the South Sea Company, instead of his irredeemable annuities, or as they are now variously called, consols, stocks, or funds. So many monopolies and advantages were

granted to the Company, that the national creditor at length consented to give up his security for South Sea Stock. The Government, therefore, got rid of the irredeemable annuities and obtained seven millions besides, becoming, of course, debtors to the Company . . . and the national creditor willingly parted with his irredeemable annuities, which paid but five per cent., in order to buy shares which might pay ten per cent.

"Walpole opposed the scheme with all his might, maintaining that the acceptance of the Company's proposal would countenance stock-jobbing, would divert industry from its customary channels, and would hold out a dangerous lure to the unsuspecting to part with real for imaginary property. He showed the misery and confusion which existed in France from the adoption of similar measures, and proved that the whole success of the scheme must depend on the rise of the Company's stock; that if there were no rise the Company could not afford the bonus, would fail, and the obligations of the nation would remain as before. But all his reasonings were of no avail. All classes were infatuated. All speculated in South Sea Stock; and for a while everybody rejoiced, for as long as it continued to rise, all were gainers."[1]

The directors of the Bank on this occasion did not share the caution of the great minister; but at the same time it may be supposed that if their offer of five millions for the business had been

[1] Lord's *Modern Europe.*

accepted they would have conducted it with less discredit and disaster to themselves and to the country than actually resulted from the mismanagement of the South Sea Company. But it is impossible to say with certainty what might have been. The excitement of the time was so great that the mere rumour, circulated in 1719, that the Company desired to unite with their own funds the whole of the funds of the Exchequer, the Bank of England, and the East India Company, raised the price of South Sea Stock to 126.

"Upon the 22nd of January, 1720, the House of Commons resolved itself into a Committee to take the subject into consideration; and a subsequent proposition, made by the South Sea Company, to unite the whole of the debts of the State—amounting to £30,981,712—at 5 per cent. until 1727, and after that period at 4 per cent.—for which they were to pay three millions and a half—met with great approbation from the members of the Government. But the Bank of England had many friends in the House of Commons. The great services rendered by this corporation were brought forward—a strong representation was made of the injustice of thrusting so important a body aside for those who had done nothing to assist the State; and a postponement of the question for five days was obtained. . . . The Bank authorities offered five millions, being an advance of one million and a half on the proposition of the

South Sea Company. No sooner was the offer of the Bank known than the directors of the South Sea Company called a meeting . . . and their offer was increased to upwards of seven and a half millions. But the members of the first monetary establishment in the kingdom were not to be outdone, and offered to give £1700 Bank Stock for every hundred pounds irredeemable long annuities. Fortunately for the Bank of England, but unfortunately for the country, the offer of the South Sea Company met with most favour. The former ceased its bidding; the latter remained in possession of its dangerous bargain."[1]

As soon as the result of this strange competition was known, the public madness increased and soon reached a climax. On the part of the Company lying promises and gross exaggerations were circulated. Change Alley, in Cornhill, was the resort of brokers and speculators, and for the time the scenes there resembled those of the Rue Quincampoix during the Mississippi fever. In that narrow thoroughfare peers, country gentlemen, clergymen, dissenting ministers, and even ladies jostled one another in their eagerness to make money. After a short time other people much lower in the social scale joined the gambling throng, and invested sums as low as a shilling as deposits

[1] *History of the Bank of England*, by JOHN FRANCIS.

on shares of the numerous schemes which were daily being brought out by the touts of the Alley. There were companies formed for all sorts of objects, even the most absurd, such as "the discovery of perpetual motion," for "the fattening of hogs," for "the importation of jackasses"—one would have thought there were plenty of donkeys already. Some of these companies' shares were at a premium of two thousand per cent. One projector had the effrontery to announce a "Company for carrying on an undertaking of great advantage, but nobody to know what it is; every subscriber who deposits £2 per share to be entitled to £100 per annum." This enterprising individual received subscriptions amounting to the sum of £2000 in five hours. On the following day he was nowhere to be found.

But to return to *the* Company—that of the South Sea. In June, 1720, its shares—£100 each—were quoted at £890, and shortly afterwards they rose to £1000. The Company now became jealous of its numerous rivals.

"In order to stop these absurd speculations" in the companies above mentioned, "and to monopolize all the gambling in the kingdom, the directors of the South Sea Company obtained an Act of Parliament empowering them

to prosecute various bubble companies that were projected. They did so, and in a few days all burst. But the South Sea Company made a blunder. The moral effect of their proceedings was to open the eyes of the nation to the greatest bubble of all. The credit of their own Company declined. Stocks fell from 1000 per cent. to 200 in a few days. All wanted to sell, nobody to buy. Bankers and merchants failed, and noblemen and country gentlemen became impoverished."[1]

No less than thirty-seven million pounds were inscribed on the Company's books, so it is not surprising that great havoc was caused by the bursting of the bubble, and that thousands were reduced to poverty. Efforts were now made to stop the tide of ruin and to restore public credit. Sir Robert Walpole, who had retired from the ministry, was reinstated in office, and he applied to the directors of the Bank for assistance in the crisis. These gentlemen, for the moment, like so many others at this period, appear to have lost their usual caution. A hasty memorandum of agreement was drawn up, by which they were to undertake the circulation of £3,500,000 in South Sea bonds at 400 per cent. Thus the price of Stock for a time was kept up, books were opened at the

[1] Lord's *Modern Europe.*

Bank, and large sums subscribed. Meanwhile the failure of several large companies caused a run on the Bank, so the directors awoke to the dangers of their position and refused to ratify the agreement. The South Sea Company then threatened the Bank with legal proceedings, but the consciousness of their past malpractices led them to choose the more prudent course of declining to carry their case into the Courts. Eventually a plan of Walpole's was adopted which saved the credit of the nation; but all who had purchased Stock when it had risen about 100 per cent. of its original value lost their money. By this plan nine millions of South Sea Stock was engrafted into the Bank of England, another sum of nine millions into the East India Company, and the Government gave up to the public the seven millions the Company had agreed to pay them on obtaining their Charter.

The punishment of the directors of the South Sea Company was not effected in a manner which reflects credit on the country. Many members of Parliament were prejudiced for or against the Company. Some had held office under it, others had revengeful feelings on account of the money they had lost by it when the crash came. Nevertheless,

it was this Parliament, far from impartial in the matter, which acted as judge, the result being, according to Gibbon, that "all were condemned, absent and unheard, in arbitrary fines and forfeitures which swept away the greatest part of their substance." The directors and officers of the Company were ordered before the bar of the House of Commons. The treasurer had bolted, so a proclamation was made that none should be allowed to leave the country. Charges of bribery of members were brought forward, in consequence of which all officers of the Company who held Government appointments were immediately discharged from them. Mr. Aislabie, the Chancellor of the Exchequer, was deeply implicated, and had shared in the plunder to the extent of £800,000. He was expelled from the House, and was sent to the Tower, to the great satisfaction of the citizens, some of whom illuminated their houses, while the mob made bonfires in various parts of the City. The fines and forfeitures of estates imposed on the directors of the Company and others amounted to upwards of two millions sterling.

In 1722 the Bank bought £200,000 South Sea annuities at twenty years' purchase, and to provide

THE HOUSE OF SIR JOHN HOUBLON, THE FIRST GOVERNOR OF THE BANK.

for the payment their capital was increased £3,400,000, nearly the whole of which was subscribed for at the rate of 118 per cent. This year is also memorable for the formation of the reserve fund, or "Rest," as it is generally called. A supposed conspiracy to send King George I. back to Hanover, and to place the Pretender on the British throne, caused a run on the Bank. A camp was formed in Hyde Park, and other means taken to maintain the existing dynasty, the malcontents were kept under, and the run ceased.

The great building which now covers between three and four acres and which occupies the entire area between four streets—namely, Threadneedle and Prince's Streets, Lothbury and Bartholomew Lane—did not spring up all at once, but was a growth of years. In 1732 the Grocers' Hall, then occupied by the Bank, was found too small for the increasing staff and requirements; so on August 3rd in that year the foundation-stone of a new building was laid on the site of the house and garden in Threadneedle Street of Sir John Houblon, the first Governor. The new building was ready for occupation in June, 1734, and on the 5th of that month the business was removed there. On

January 1st, 1735, the statue of William III.,[1] already alluded to, was erected on its pedestal, which bears an inscription in Latin of which the following is a translation:

For restoring efficacy to the laws,
Authority to the courts of justice,
Dignity to the Parliament,
To all his subjects their religion and liberties,
and
For confirming these to posterity
By the succession of the illustrious House
of Hanover
To the British throne,
To the best of princes, William III.,
Founder of the Bank,
This Corporation, from a sense of gratitude,
Has erected this statue,
And dedicated it to his memory,
In the year of our Lord, MDCCXXXIV.,
And the first year of this building.

Towards the middle of the last century highway robberies were very frequent. It was no uncommon thing for a mail coach to be stopped by highwaymen and the passengers robbed of their money and valuables. In the year 1738 such robberies were so numerous that the Post Office authorities entered into communication with the Bank on the subject,

[1] Appendix A.

and in consequence the directors advertised their intention to issue what are now called Bank Post Bills for the safer remittance of money from one part of the country to another.[1] A Bank Post Bill is a promissory note, made by an officer of the Bank of England, undertaking at so many

THE OLD BANK

(usually seven) days' sight to pay such "sole bill of exchange" to an assigned person or order. The advantage of these bills is that, not being payable on demand like bank-notes, there is an interval during which they may be stopped and the money saved.

[1] WHITFIELD'S *Commercial Sciences.*

In 1742 the ten years' term of the Charter ended, and it was then renewed for twenty-two years. The price paid by the Bank for the continuance of its privileges was equivalent to a loan of upwards of a million and a half without interest. The arrangement was made in this way: the interest of the existing debt owing by Government of £1,600,000 was reduced from 6 to 3 per cent., and a further loan of £1,600,000 was granted to the Government at the same, for those days, low rate of 3 per cent. The Act by which the Charter was renewed made the counterfeiting, forging, or altering bank-notes, etc., punishable by death, and it provided also the extreme penalty of capital punishment for such of the "Company's servants" as should be guilty of breaking their trust. This severe law was not found to be of advantage either to the Bank or to the public, and after many persons had suffered death it was repealed.

On reviewing the past, we find that periods of civil commotion have been times of anxiety to the directors of the Bank. A standing menace to the safety of the British Government and to the Bank was the mimic Court of the descendants of the exiled James II., which was kept up at

St. Germain's under the protection and patronage of the French king. The Jacobite rebellion of 1715 was soon suppressed, and it had little or no effect on the interests of the Bank; but that of 1745 was more serious, and affected the commercial and financial concerns of the country to a large extent. The insurrection of 1745 was by no means formidable in itself, but the real danger to the House of Hanover and to the Bank consisted in men's fears concerning it, and in the possibility that the Jacobite lords and the malcontents in England might join it. As it was Funds declined to 49, and the Bank was only successful in avoiding suspension of payment by an artifice. This period in our history was full of events of romantic interest.

The young Pretender, Charles Edward Louis Philip Casimer Stuart, was now twenty-five years of age, of handsome appearance and engaging manners. He had the power of winning popularity, and while in Scotland he obtained the devoted attachment and fidelity of many of his adherents. As early as 1740, when he was only twenty years of age, he received overtures from the Jacobites of Scotland to come over and head a rebellion.

Five years later, on July 18th, 1745, he landed on one of the Western Isles with only seven followers. Several Highland chiefs joined him, and with 700 supporters he raised his standard on August 19th. His march through Scotland was a triumphal one, accompanied by rejoicing and festivities. At Holyrood he feasted in the palace of his ancestors. On September 15th he was at Linlithgow, within sixteen miles of the Scottish capital, which he entered two days later. At Edinburgh he took 1000 stand of arms, and received reinforcements. He soon advanced against the Royal troops, under the command of Sir John Cope, at Prestonpans. The Royalists were unprepared for the sudden charge of the impetuous Highlanders, and were soon put to flight, and many killed. After this victory the Pretender marched south at the head of an army of 5000 men, and crossed the border on November 8th. The invasion of England was the commencement of his fall. Many of his followers forsook him; they were willing to support him in regaining the independence of Scotland, but they were unwilling to attempt the conquest of England. The bulk of the capitalists—those who had much

to lose—in the northern country held aloof from the revolutionary movement. That was still more the case in England. The Pretender issued a manifesto, in which he stated that "the National Debt was contracted under an unlawful Government, and was a most heavy load unto the nation, yet his father would take the advice of his Parliament." This did not tend to win over to his cause any of the moneyed class, who remembered that Charles Edward was a Stuart, and was descended from Charles I., who seized the money deposited in the Mint, and from Charles II., who appropriated the funds of the Exchequer. The prince was said to have landed with only a guinea in his pocket—a small sum with which to attempt the conquest of a kingdom. Whatever financial assistance he received from his friends after his arrival was insufficient, so he soon found it necessary to levy forced contributions, which he did in Glasgow, Manchester, Derby, and other places. The news of these forced contributions reaching London could only have had the effect of intensifying the panic which prevailed there. With diminished forces the young prince marched on to Derby, which he reached on December 4th.

When he arrived there he heard that the Duke of Cumberland was coming to meet him with an army of 12,000 veterans. His followers clamoured to return to Scotland, and Charles was forced to yield. His buoyant spirits forsook him, and in grief and despair he followed his retreating troops to Glasgow. From thence he went to the Highlands, where he spent the winter in recruiting his forces and preparing for the final struggle. In the spring he drew up his army on a moor at Culloden, near Inverness, with the intention of attacking the superior forces of the duke, which were nine miles distant. The duke, however, did not wait for his advance, but came up to the rebels on April 15th, 1746, attacked, and utterly routed them. Thus the chances of the house of Stuart regaining the throne were finally extinguished. Charles Edward, after many adventurous wanderings, succeeded in escaping to France. Although the large sum of £30,000 was offered for his head, not one of his faithful followers was tempted to betray him.

CHAPTER V.

1745–1780

Black Friday—Run on the Bank—Notes paid in Sixpences—Merchants support the Bank—The Bank supports the Government—Increase of Capital—"Bank Circulation"—Origin of "Consols"—Issue of smaller notes—Vaughan's forgery—Legal decision as to stolen notes—Renewal of Charter—Robbery by a teller—Penal enactments—The Clearing House—Gordon Riots—Enlargement of the Bank.

WHEN the news reached London that the Pretender was at Derby, only 120 miles distant, the citizens were filled with alarm. It was a Friday, and so great was the depression that it has been called "Black Friday."[1] The moneyed and trading classes feared their houses and shops might be plundered, or that they would be forced to contribute to the expenses of the rebellion, as others had been in the north. Shops were closed, and some citizens left the kingdom; even the king had his valuables put on board a yacht near the Tower to be ready for flight. All having money in the Bank, as it seemed, wished to draw out, and all possessing notes wished to cash them. The run came so

[1] Not the only Black Friday, see *post.*

unexpectedly as to find the directors unprepared to meet it; they managed, however, to stem the torrent by a stratagem. Persons in the employ of the Bank were given notes to present for payment, and the cashiers paid these notes in sixpences. The paying-out and receiving so much small change was a lengthy process, and thus the Bank gained time, which in the present case was certainly "money." Those who received the cash, after leaving the office, returned by another door and paid the money in again, so the genuine holders of Bank paper found a difficulty in even approaching the counter. By this artifice the Bank was saved from being drained of specie, and the panic soon subsided. Meanwhile the more sober and influential part of the community were taking better steps towards supporting credit than by rushing to the Bank for coin. Merchants and others held a meeting at Garraway's coffee-house, and passed the following resolution:

"We, the undersigned merchants and others, being sensible how necessary the preservation of public credit is at this time, do hereby declare that we will not refuse to receive bank-notes in payment of any sum of money to be paid to us; and we will use our utmost endeavours to make our payments in the same manner.

"26*th September*, 1745."

That this was a fairly representative meeting is proved by the fact that before four o'clock the same afternoon it was signed by more than eleven hundred traders and fund-holders.

The cost of suppressing the rebellion and the expenses of the war with France rendered it necessary for the Government to raise another loan. The Ministers endeavoured to obtain what they required by opening a subscription, but as the investing public held back they were unsuccessful, and again had recourse to the Bank of England, by whom one million was advanced at 4 per cent. An Act of Parliament was passed (19 George II. c. 6[1]) authorizing the Bank to deliver up £986,000 in Exchequer bills to be converted into an annuity. A meeting of the proprietors of Bank Stock was held to accept the proposal. A call on them of 10 per cent. was made, and the capital increased to £10,780,000.

In 1749 the Act of 22 George II. c. 6 reduced the interest on the 4 per cent. annuities held by the Bank to $3\frac{1}{2}$ per cent. for seven years, from December 25th, 1750, and thereafter to 3 per cent.[2] The Bank also undertook to advance a

[1] McCulloch's *Commercial Dictionary.* [2] *Ibid.*

sufficient amount to pay off those who did not agree to this arrangement. In order to carry out these alterations the "Bank Circulation" was established. Authorities differ as to the date of its introduction.[1] The following description of the Bank Circulation is taken from a little work published by Allen & Co., of Paternoster Row, in 1796.

"The Bank agreed to advance £1,000,000 into the Exchequer upon the credit of the malt and land duties. . . . At the time the Bank had not a larger sum of money than they deemed necessary to their ordinary and extraordinary demands. . . . They therefore opened a subscription, renewable annually, for a million. Of this sum the subscribers advanced 10 per cent. and entered into a contract to pay the remainder, or any part thereof, at call, under the penalty of forfeiting the 10 per cent. so advanced, in consideration of which the Bank agreed to pay the subscribers 4 per cent. interest on the money paid in, and $\frac{1}{4}$ per cent. for the whole sum they agreed to furnish. In case a call should be made for the whole or any part of the remainder of the subscription, the Bank further agreed to pay at the rate of 5 per cent. per annum. By this means the Bank obtained the same advantage as if they kept a million by them, and the subscribers received $6\frac{1}{2}$ per cent. on the money they advanced. This was a

[1] Allen's *History of the Bank of England* says 1746; Francis' *History of the Bank of England*, p. 167, says 1750; Gilbart's *History and Principles of Banking* says 1751.

profitable transaction for the Bank, as the following statement shows:

"The Bank receives from Government for the advance of a million	£30,000
"The Bank pays the subscribers who advance £100,000 and engage to pay (when called for) £900,000 more .	6,500
"The clear gain to the Bank therefore is . . .	£23,500."

It may interest some persons to know the meaning of the names of some of the Stocks of which the public funds consist. In 1752 the term "Consols" originated by some annuities granted by George I. being consolidated into one fund, together with a 3 per cent. Stock formed in the year 1731. In 1757 the 4 per cent. Stock (previously mentioned) which was to bear $3\frac{1}{2}$ per cent. interest for seven years from 1750, was further reduced one-half per cent., and was then called the "Three per cent. reduced." The "New three and a half per cent." Stock was formed as late as the year 1830, and the interest of this, as also of other funds, has since been reduced. For many years the lowest amount of a Bank of England note was £20. Afterwards public convenience required notes of smaller amount. In 1759 ten and fifteen pound notes were issued; in 1793 the first five pound note made its appear-

ance; in 1797 one and two pound notes were issued, but the issue of these last has ceased, and since then the lowest denomination has been five pounds.

1758 is remarkable as the year in which the first death punishment for forging bank-notes took place.[1] At that time a man of the name of Vaughan carried on the business of a draper at Stafford. He employed several engravers, each of whom was set to copy a portion of a note. When the plates were joined the counterfeit notes were printed and Vaughan filled them up—the notes at that time were signed by hand—and placed twenty of them in the hands of a young lady he was courting, wishing to show himself off as a rich man. One of the engravers he had employed informed against him, the result being that he was tried for forgery, found guilty, and was hanged on May 1st.

This history will have to record several actions at law against the Bank. One arose in this year out of the robbery of one of the mails on the northern road. A highwayman stopped the coach,

[1] Francis (*History, etc.*, p. 170) says this was the first forgery; Lawson (*History of Banking*, p. 72) says, "So early as the 15th of August, 1695, the Bank called in their marbled notes, some having been forged."

took all the notes contained in the letters, went boldly to the Hatfield Post Office, and got change for one of them. He then engaged a post-chaise with four horses, drove off, and exchanged the remaining notes at different stages. The notes were afterwards stopped at the Bank, and an action was brought to enforce payment. The legal decision was to the effect that any one paying a valuable consideration for a note, payable to bearer, in fair course of business, can recover the money of the Bank.

In 1764 the Charter was renewed till 1786. For this concession the Bank agreed to give the Government £110,000; accordingly that sum was paid into the Exchequer free of all charge. The same Act of Parliament declared it to be felony, without benefit of clergy, to forge powers of attorney for receiving dividends, transferring or selling Stock, or for personating the proprietors of Stock for the purpose of defrauding them of principal or interest.

In 1767 an ingenious crime which had been carried on for some time by a bank clerk was discovered. William Guest, a teller, was noticed to have been in the habit of picking out new guineas from old ones; he was also seen in pos-

session of an ingot of gold quite unlike the usual ones. This ingot he said came from Holland. Suspicion being created by these circumstances, Guest was watched. On one occasion he was observed to take some guineas from a private drawer and mix them with some others on the table, which he paid away to a certain Richard Still. Still was followed and the money paid to him examined; three of the coins were found to be of short weight. The money in charge of Guest was then examined, and forty of the guineas were found to be very short in weight, the edges showing that they had been recently filed. His dwelling was searched, instruments for imitating the edges of coins were found, and eleven ounces of gold filings. Guest was put on his trial and found guilty.

In 1773 an Act was passed making the copying of the watermark of bank-note paper punishable by death; it was also provided that "no person should prepare any engraved bill or promissory note containing the words 'Bank of England' or 'Bank post bill,' or expressing any sum in white letters on black ground in resemblance of bank paper, under the penalty of imprisonment for six months."

An institution which has proved to be of great importance to the whole commercial world, as well as a great convenience to bankers, was established in the year 1775. "A building in Lombard Street was set apart for the use of bankers, in which they might exchange drafts and bills, and thereby save time and labour and curtail the amount of floating cash requisite to meet the settlement of the different houses if effected singly. By means of transfer tickets transactions to the amount of millions daily are settled without the intervention of a bank-note."[1] These transfer tickets are settled at the Bank of England, where all the "clearing" bankers have current accounts; but the Bank cashed the drafts held by them in the old-fashioned way of sending clerks to the other banks for the money until as late as the year 1864.

1780 was an eventful year. On June 2nd the Gordon Riots commenced and lasted nearly a week, during which time terror and confusion prevailed in the Metropolis, and there were great fears that an attack would be made on the Bank. An Act of Parliament had been passed which gave certain indulgences to Roman Catholics. This Act

[1] HAYDN'S *Dictionary of Dates.*

gave great offence to a body called the Protestant Association. In the month of January previously a petition for its repeal had been presented to the Commons. "No popery!" was the cry of the zealots. On June 2nd 40,000 persons, headed by Lord George Gordon, a sincere but fanatical man, assembled in St. George's Fields under the auspices of the above-named association, the object being to present a petition to Parliament for the repeal of the obnoxious Act. Not content with constitutional procedure, the mob began to plunder the chapels and houses—first of Roman Catholics, but afterwards those of other denominations. The Bank was threatened, but the attack was fortunately delayed. The gaols of the King's Bench, the Fleet, Newgate, and Bridewell were forced open and prisoners released. Bishops, peers, and members of the Lower House were attacked and hooted in the streets. On one night the glare of thirty-six fires burning at once made a fearful illumination. After the attack on Newgate the news reached the Bank that the rioters were on their way thither. The Governor was summoned and was soon at his post, and preparations were made for the defence. Old inkstands were cast into bullets; a force was

brought into the building, and the military, who had now arrived on the scene, were stationed outside the walls; the staff of the Bank were called on to assist, and some were stationed on the roof to fire on the assailants if they should succeed in forcing an entrance. A Volunteer corps of citizens assisted the soldiers. These measures overawed the rioters, and their attack was consequently feeble; the first fire of the military repulsed them, and after a second unsuccessful attempt they gave up the attack. On June 8th the Horse and Foot Guards, the Militia of several counties who had marched to London, and the Volunteers finally subdued the riots. The rioters lost 210 killed and 248 wounded; seventy-five of the latter afterwards died in hospital. Many were tried, convicted, and executed. Lord George was tried for high treason and acquitted on February 2nd, 1781. He was afterwards convicted for libel, and died in prison November 1st, 1793.

Had the rioters made their attack on the Bank earlier, it has been thought that they would probably have succeeded. It may seem strange that so important an institution as the Bank of England should have been left so long inadequately protected.

The reason is that the Bank is a corporation of private persons, not a branch of the Government service. Nevertheless, as they were bankers to the Government, and had the management of the currency as well as the National Debt, it was deemed necessary that means should be provided against the

THE BANK OF ENGLAND (OLD BUILDING),
Threadneedle Street front.

attack of an enemy, so ever since the Gordon Riots a company of Foot Guards — generally Grenadier or Coldstream — is marched into the Bank every evening, and remains there till six or seven the following morning. The officer is provided with a dinner, to which he is at liberty to invite two

friends. Another consequence of the "no popery" riots was the enlargement of the building in Threadneedle Street. In the course of a lecture recently delivered in the London Institution, Canon Benham said:

"On part of the ground where the Bank stands was the church of St. Christopher-le-Stocks, built in the thirteenth century. But in 1780, during the Gordon Riots, the Bank authorities considered that the tower would be a good position for the mob to storm the Bank from, and procured its removal, and the site was thrown into the Bank."

The church was taken down in 1781.[1]

Prior to the riots (as we read in *Old and New London*) the Bank was a small and modest building, surrounded by houses and the church above named; on the east side, in Bartholomew's Lane, were about fifteen or twenty private buildings.

[1] *A Bibliography of the Bank of England*, by T. A. Stephens.

CHAPTER VI.

1780–1796

Old Patch's frauds—Forged notes—Altered tellers' tickets—Suicide of Patch—George Morland under suspicion—Renewal of Charter—Fenton's frauds—Unclaimed dividends—Panic—London Missionary Society—Bank *versus* Government—A "Solemn Resolution"—Limited discounts.

ABOUT the time of the disturbances related in the previous chapter, a more crafty attack on the funds of the Bank was made by a criminal, who for years defied detection. Charles Price, the person alluded to, at the age of seventeen began his fraudulent career, in which he played various parts, as comedian, brewer, lottery-office keeper, stockbroker, gambler and forger, in all or most of which employments swindling was the prevailing element. At last he came to regard the Bank of England as his mine of wealth, which he worked most cunningly and secretly, his mistress being his confidante. His plan was to forge and circulate counterfeit Bank of England notes. He made his own ink and paper,

and practised copying the cashiers' signatures until he could imitate them perfectly. The first of Price's notes which was presented for payment was paid immediately, so genuine did it appear to be, and it was not till it had passed to another department that it was found to be a forgery. Afterwards similar counterfeit notes were constantly coming in, especially during the time of lottery-drawing. The directors took all the means they could avail themselves of in order to discover the thief. Detectives were employed, and large rewards were offered by advertisements in the papers; but, notwithstanding, for a long time these fraudulent notes could never be traced beyond the lottery offices, and the clever rascal who was preying on society continued to escape detection. His mode of procedure was as clever as it was original. In 1780 Price, who adopted the name of Mr. Brank, but who was better known by the nickname of "Old Patch," advertised for a man-servant. A young man who had answered the advertisement was called upon by a coachman, who asked him to step into a coach in which the advertiser was waiting. When the young man entered the conveyance he saw a person who appeared to be "a

foreigner, sixty or seventy years old, apparently troubled with gout, as some yards of flannel were wrapped around his legs. A camblet surtout was buttoned round his mouth; a large patch placed over his left eye; and nearly every part of his face was concealed." This pitiable object was Charles Price, *alias* Mr. Brank, who after two or three interviews with the young man finally engaged him. Having informed him that his principal duty would be the purchase of lottery tickets for his "whimsical ward," Price gave his new servant a £20 and a £40 bank-note, both of his own manufacture, for that purpose. He afterwards gave him various sums, at one time as much as £400, in similar notes, and Price always waited in his carriage near the lottery offices to receive the tickets. After this had been going on some time a partial clue was obtained, and the young servant arrested. His protestations of innocence were disregarded, and he was confined in prison. When, however, the directors found the forged notes continued to pour in, they discovered they had got the wrong man, and had him discharged from custody with a present of £20. These forged notes had been circulated five or six years when Price invented a new method

CHA.s PRICE in his usual Dress.

CHA.s PRICE in Disguise.

as described in the Public Papers. vide Page 13 of these Memoirs.

Published as the act directs by G Kearsley in Fleet Street LONDON, Feb.y 10th 1786.

C. H. Sc

of defrauding the Bank. On December 17th, 1785, he paid in ten pounds, for which he received a "teller's ticket" for that amount, which he should in the ordinary course have given to a cashier in exchange for a £10 note. Instead of doing this, he took the ticket home and cleverly altered the amount to £100, returned to the Bank, and received that sum. When the clerks attempted to agree at the close of the day they found the cash short. On carefully examining the tickets issued, they found two others had been altered, which made the deficiency nearly £1000. Price's career was now nearly closed; one of the notes was at last traced to him. When he found the game was up, by arrangement with his mistress, he procured the destruction of his incriminating implements, obtained a rope through the agency of his son, and hanged himself. A coroner's jury gave a verdict of *felo de se*, and according to the old custom the body was buried at midnight in a lonely cross-road grave.

Another incident connected with the "Patch" crimes is worthy of being recorded. George Morland, a well-known artist, was at that time in pecuniary difficulties, and in order to avoid

imprisonment for debt, was living in an obscure lodging in the then quiet suburb of Hackney. His anxious looks and retiring manners induced some of his neighbours to suspect him to be a maker of forged notes. These suspicions being communicated to the authorities of the Bank, the directors sent to have the suspected forger watched and, perhaps, arrested. The painter himself, however, was on the watch, and mistaking the emissaries of the Bank for bailiffs, he escaped by the back of the house as they approached the front, fled through Hoxton, and never halted till he had hidden himself in London. On the supposed bailiffs entering the house Mrs. Morland told them who her husband was, and showed them his unfinished pictures. The end of this episode was that the directors presented Mr. Morland with a couple of twenty-pound bank-notes to compensate him for the alarm they had given him.[1]

The directors did not wait till close upon the expiration of their Charter, which had five more years to run, before they applied for its renewal. In 1781, when the Government was in need of money, they thought the time favourable to the

[1] *Lives of the Painters*, by Allan Cunningham.

interests of the Bank. Accordingly they proposed and obtained more advantageous terms than might have been entertained at a subsequent period. They offered in exchange for an extension of the Charter for twenty-five years to grant a loan of three millions for three years at 3 per cent. interest. There was great opposition to this proposal; the expenses of the war, however, made the offer of help very acceptable to the Government. Lord North spoke strongly in favour of the bill, and proposed to pay off two millions of the navy debt with the money now offered him. The bill was passed and the Charter prolonged "till twelve months' notice after August 1st, 1812."

In 1789 Francis Fenton, a clerk in the Bank, was executed for forgery. His crime was somewhat uncommon in its method: having been requested by a friend to purchase £50 Stock, Fenton gave him a forged receipt and at the same time obtained his signature to a transfer for £450, having led him to believe that it was an acceptance of the £50 Stock he had purchased.

A great many people, from various causes, fail to draw the dividends due to them on the Stock they hold. The unclaimed dividends had been

increasing in number year by year until in 1789 they amounted to over half a million sterling, as the following statement shows:

The balance to the credit of the unclaimed dividend account amounted, in round numbers—

In 1727	. . .	to £43,000
„ 1752	. . .	„ £60,000
„ 1774	. . .	„ £292,000
„ 1776	. . .	„ £314,000
„ 1789	. . .	„ £547,000

The history of this subject illustrates the extent to which people's sense of justice is often perverted by their pecuniary interests. It would probably be considered by unprejudiced persons that the rights of property in this fund should revert to the public in the event of the owners making no claim to it. The whole debt is a national one, and the interest on it is paid by taxes levied on the people; it is, therefore, natural to conclude that the nation should have the benefit of any accumulated funds derived from that source, rather than the corporation which acts as bankers to the nation. But not so thought the directors and proprietors of the Bank at that time. So tenacious were the directors of what they considered their

rights in this matter that the clerks were afraid to inform any stockholders of arrears of dividends to which they were entitled lest they should be dismissed from their situations.[1] On December 15th, 1790, Mr. Pitt proposed to appropriate for the Government the whole of the £547,000, except £50,000 to be left with the Bank of England as a floating balance. This proposal caused great indignation among the proprietors of Bank Stock, and meetings were held to protest against it. When in the following year the measure was introduced into the House of Commons, the opposition to it was more strenuous; even such great men as Fox and Burke denounced it. The bill, however, had passed the third reading when the controversy ended for a time in a compromise. The Governor proposed to lend the Government £500,000 without interest until the unclaimed dividends should amount to less than £600,000, on the condition that the claim put forward should be abandoned. Mr. Pitt decided to accept this offer. He also induced the directors to publish a list of the dividends unclaimed, which he said "belonged to the public, on whose behalf and as

[1] LAWSON'S *History of Banking.*

whose agents the Bank of England paid them, and not to the proprietors of that corporation."

We are now approaching a period of commercial depression and panic, leading eventually to a suspension of cash payments which lasted for many years. The termination of the war with America in 1783 had the effect of diverting men and money from destructive and wasteful war abroad to peaceful and productive pursuits at home, with the result that our population and trade increased and our manufactures extended. New factories were erected, the country banks extended their circulation, and manufacturers based their arrangements on the anticipation of the continuance of peace and cheap money. This state of prosperity and hopefulness suddenly ceased when, at the close of 1792, there was a prospect of another war with France, and panic seized on the trading community when war actually broke out in 1793. There were numerous failures of merchants and country bankers, and, as usual at such times, a drain of gold from the coffers of the Bank of England. The timely intervention of the Prime Minister prevented a catastrophe. Mr. Pitt made a proposal in Parliament—an advance on Exchequer bills. A committee which

was appointed to consider and report on the matter recommended that five millions should be so advanced. The effect was immediate, and confidence was restored. £2,202,200 only were applied for by two hundred and thirty-eight applicants; the whole of this sum was repaid. In March the drain of gold from the Bank ceased. In this year five-pound notes were issued by the Bank for the first time.

The year 1795 was the centenary of the opening of the Bank to the public. It was also the birth year of the London Missionary Society, who sent out such men as Morrison, Moffat, and Livingstone to carry the light of Christianity into the darkness of heathendom. One of the staff of the Bank was the first Home Secretary of this Society; he occupied that post for three years. In the "Story of the L. M. S." the Rev. C. Silvester Horne says, "On Monday, September 28th, the Rev. John Love was elected Foreign Secretary, and William Shrubsole, Esq., of the Bank of England, was chosen as co-Secretary 'chiefly with a view to the home correspondence.'" The vast sums of money paid by Pitt to provide for the expenses of the war and the subsidies paid to foreign states placed a great strain on the resources of the Bank, for the directors were again

and again applied to for advances of parliamentary grants. Whenever the Government were in pecuniary straits the Bank came to the rescue. The directors foresaw that disaster must follow if this state of things were indefinitely prolonged. In January, 1795, a long correspondence commenced between the Bank and Pitt, in reference to the advances made by the former to Government, to which, unfortunately for the credit of the country, the Government gave no practical heed. On the 15th of that month a Court of Directors of the Bank of England was held, at which a resolution was passed "That the Chancellor of the Exchequer be requested to make such arrangements in his finances of the present year as not to depend on any further assistance from them beyond what had been already agreed on." On the 16th April the Governor and Deputy Governor called on Mr. Pitt to express to him the uneasiness they and their fellow directors felt at being called upon to pay upwards of two millions in Treasury bills, and requested he would be good enough to provide for their discharge. Again, on the 8th October, a written communication was sent by the directors to the Chancellor of the Exchequer informing him

that a large and continued drain of bullion and specie had arisen "from loans and other subsidies," and expressing the necessity that existed for diminishing the sum of their present advances to the Government. To this Mr. Pitt made no reply, neither did he take any action in the matter.

Several similar communications were afterwards made by the Bank which were equally ineffective. On the 20th July, 1796, Mr. Pitt applied to the Court of Directors for more advances, including the payment of Treasury bills. Inconsistent as it may seem with their previous protestations, the directors complied with the Minister's demands and granted the loans; but to justify themselves they sent a copy of the following "MOST SERIOUS AND SOLEMN RESOLUTION," which they desired to be laid before His Majesty's Cabinet:

"They beg leave to declare that nothing could induce them, under present circumstances, to comply with the demand now made upon them, but the dread that their refusal might be productive of a greater evil; and nothing but the extreme pressure and exigency of the case can, in any shape, justify them for acceding to this measure; and they apprehend in so doing they render themselves totally incapable of granting any further assistance to Government during the remainder of this year, and unable to make the

usual advances on the land and malt taxes for the ensuing year, should those bills be passed before Christmas. They likewise consent to this measure in a firm reliance that the repeated promises so frequently made to them, that the advances on the Treasury bills should be completely done away, may be actually fulfilled at the next meeting of Parliament, and the necessary arrangements taken to prevent the same from ever happening again, as they conceive it to be an unconstitutional mode of raising money; what they are not warranted by their charter to consent to; and an advance always extremely inconvenient to themselves."

Neither their letters to the Chancellor of the Exchequer and deputations sent to Downing Street, nor their "solemn resolutions," could alter the fact that the directors of the Bank had advanced such large sums to the Government as to leave themselves in possession of insufficient coin to meet the requirements of the public. The continued drain of gold led the directors in the month of December to limit their discounts.

CHAPTER VII.

1796–1808

The Loyalty Loan—Smallness in amount of specie—Run on country bankers—Crisis—Order in Council—Notification of suspension of payment—Meeting and support of citizens—Depreciation of bank-notes and funds—Effect of Pitt's policy—Inconvenience through want of cash—Issue of Spanish dollars—Discussion in the House—Report of Committee—Government's responsibility for the suspension—Evidence of the Governor—Suspension continued till the conclusion of the war—Proposed new bank—Committee of Secrecy—Voluntary contributions for the war—Renewal of Charter—Astlett's frauds—Erskine's defence—Abraham Newland—Finance Committee and reduction of profits—Notes as "candlesticks"—A gang of forgers.

NOTWITHSTANDING the difficulties of the Bank, the fact that the wealth of the country and confidence in the established Government had greatly increased was manifested by the eagerness and rapidity with which Mr. Pitt's new loan was taken up by the public in the following year. We will take the account as given by Mr. Francis and Mr. Weir: "The correspondence of Lord Malmesbury has proved that Mr. Pitt was always

willing to enter into a negotiation for peace. The French Directory, however, fancying that the riches of England were evaporated, were reluctant to come to terms. The belief soon spread throughout the country that this arose from the opinion that the resources of England were nearly exhausted, and Mr. Pitt determined to avail himself of this feeling by demanding a loan of £18,000,000. The following were the terms proposed: 'Every person subscribing £100 to receive £112 in Five per Cent. Stock, to be irredeemable, unless with the consent of the owner, until the expiration of three years after the present Five per Cents. shall have been redeemed, but with the option of the holder to be paid at par at any shorter period—not less than two years from the conclusion of the definite treaty of peace.' On the first day of December the subscription opened. The Bank subscribed one million, and each of the directors £400,000. The first day saw five millions subscribed, and on the second the subscription reached nearly twelve millions. The anxiety continued on the third; and on the following Monday the names received from the country were added before the opening of the doors, when, so great

WILLIAM BANNING, GATEKEEPER.

was the crowd, that numbers could not get near the books, but called out to their more fortunate brethren to enter their names. In an hour and twenty minutes the subscription was filled. So great and so general was the desire to subscribe that the room was a scene of the utmost confusion. Persons continued to come long afterwards, and a vast number of orders were sent by post which were too late to be executed. It is a curious fact that the subscription for this enormous sum was completed in fifteen hours and twenty minutes. The loan, from the stimulus of national excitement under which it was raised, was called the Loyalty Loan."

The strained relations between the Government and the Bank, however, continued during the whole of that year; difficulties increased, and the public became alarmed, and speculations and rumours as to the smallness of the amount of bullion and specie in the Bank were circulated. One of the pamphlets which issued from the press stated that the amount was "most probably not more than one million." This conjecture may not have been correct at the time it was made, but it became true towards the end of the crisis, as was afterwards admitted by the Governor of the Bank.

The crisis was now acute, and the end was fast approaching. Towards the close of 1796 apprehensions of an invasion from France caused a run on some of the country banks, and consequently the demands on the National Bank for gold increased.[1] On Saturday, February 24th, the directors of the Bank and the members of the Government were greatly alarmed at the low state of the bullion, which had been diminishing all that week. On the following day, Sunday 25th, a Cabinet Council was held at Whitehall at which the king was present, and the following resolution was passed:

"Upon the representation of the Chancellor of the Exchequer, stating that, from the result of the information he has received and of inquiries which it has been his duty to make respecting the effect of the unusual demand for specie that has been made upon the Metropolis in consequence of ill-founded alarms in different parts of the country, it appears that unless some measure is immediately taken there may be reason to apprehend a want of a sufficient supply of cash to answer the exigencies of the

[1] On February 9th, 1797, the Court of Directors instructed the Governor to inform Mr. Pitt that under the present state of the Bank's advances to Government, to agree to his request of making a further advance of £1,500,000 as a loan to Ireland would threaten ruin to the Bank, and most probably bring the directors under the necessity of shutting up their doors.

From a picture by Gillray, 1797.

public service. It is the unanimous opinion of the Board that it is indispensably necessary for the public service that the directors of the Bank should forbear issuing any cash in payment until the sense of Parliament can be taken on the subject, and the proper measures adopted thereupon for maintaining the means of circulation and supporting the public and commercial credit of the kingdom at this important juncture. And it is ordered that a copy of this minute be transmitted to the directors of the Bank, and they are hereby required, on the ground of the exigency of the case, to conform themselves thereto until the sense of Parliament can be taken as aforesaid.

"(Signed) W. FAWKENER."

After that meeting the members of the Government met the Governor and Deputy Governor of the Bank at Downing Street and gave them the order to suspend cash payments.

On the next day, Monday, 27th, great excitement prevailed in the City when it was known that the following notice was posted in the hall of the Bank :

"In consequence of an order of His Majesty's Privy Council, notified to the Bank last night, a copy of which is hereunto annexed, the Governor, Deputy Governor, and Directors of the Bank of England think it is their duty to inform the proprietors of the Bank Stock, as well as the public at large, that the general concerns of the Bank are in

the most affluent and flourishing situation, and such as to preclude every doubt as to the security of its notes. The Directors mean to continue their usual discounts for the accommodation of the commercial interests, paying the amount in bank-notes; and the dividend warrants will be paid in the same manner."

Considerable alarm was the result of the appearance of this notice; but the merchants and bankers of the City took the best steps they could take to face the situation. They held a meeting the same afternoon at the Mansion House and passed a resolution in the same terms as the one passed in 1745, in which they expressed their resolve not to refuse to receive bank-notes in payment of any sums of money due to them, and their intention to make all payments as far as possible in the same manner. This was signed by four thousand of the best names in the City. This policy was successful and, as Mr. Lawson says, the credit of the Bank immediately revived, and bank-notes were circulated more freely than ever and retained the same degree of credit as they had when they were paid in specie. But we find the notes had depreciated 14 per cent. in the month of June. They shared the same depreciations, however, with funded property, but

not to so great an extent. Previous to 1797 Consols had been up to 97⅛ and Bank Stock to 219. About a month after cash payments ceased, Consols were down to 47¼, and Bank Stock to 121¾, a decline of about 50 and 98 respectively.

The object of the present writer is briefly to state facts and to make this little work a history and not a criticism; but it is not out of place to record the fact that the justice and wisdom of the suspension of cash payments has been questioned, and both the Government and the Bank have been censured. If success can prove justification the Government was right in the matter, for Pitt's policy gave England such command of the "sinews of war" as enabled her to conquer Napoleon Buonaparte, the mighty commander who had laid nearly the whole of Europe at his feet.

Considerable inconvenience was caused to the public by the shortness in the supply of cash, and efforts were made to meet the difficulty. By an Act, passed March 3rd, notes under £5 were authorized, and on the 10th of that month £1 and £2 notes were issued. The London bankers found a difficulty in paying the fractional parts of the cheques drawn on them, and they applied to the

Bank for more coin. The reply they received was to the effect that the Bank could not spare the specie, but that the cashiers were employed day and night, by rotation, in preparing one and two pound notes. Some bankers then applied to Mr. Pitt requesting his assistance in procuring sufficient cash to meet the demands of their customers. Here they were more successful, but were told they could not have "more than 1000 guineas each." In order to increase the supply of coin for small payments a large quantity of Spanish dollars were afterwards issued at 5*s.* 6*d.* each. To make them current the sanction of the Government was obtained, and a small head of George III. was stamped on the neck of Ferdinand of Spain. This issue inspired a wag to write the couplet:

> "The Bank, to make their Spanish dollars current pass,
> Stamped the head of a fool on the head of an ass."

We now return to the events of the famous Monday, February 27th. On that day Mr. Pitt conveyed to the House of Commons a message from the King in reference to what had happened, and stating that "His Majesty relied with the utmost confidence on the experienced wisdom of

his Parliament for taking such measures as might be best calculated to meet any temporary pressure." Mr. Pitt then moved for a Select Committee for examining the affairs of the Bank. In reply Mr. Fox condemned the Order in Council in strong terms and said, "The value and use of the Bank consisted in this, that its notes were convertible at pleasure into gold and silver. Of all the modes of settling this affair the plan which the Minister had adopted was the most dangerous: it would never be out of memory of the people." The Committee asked for was appointed, and it presented its report on March 3rd, 1797. That report stated that the total amount of outstanding demands on the Bank was £13,770,390 and the funds for discharging those demands amounted to £17,597,280, which left a surplus of effects belonging to the Bank of £3,826,890; that statement was exclusive of the permanent debt of £11,686,800 due from the Government to the Bank.

The above assets of seventeen millions odd include "Treasury bills paid for Government," "Loan," and "Interest," which together amounted to nearly two millions and a half.

The report that there was to be a loan for Ireland,

a great part of which was to be in specie, alarmed the directors, and on the 10th February, 1797, a Court was held at which it was resolved to ask for a repayment of part of the advances to the Government, and a statement of the following claims was immediately presented to Mr. Pitt.

Arrears of advance on Land and Malt Tax—	
1794	£337,000
1795	£491,000
1796	£2,392,000
Exchequer bills on vote of credit	£968,000
Ditto on Consolidated Fund, 1796	£1,323,000
Treasury bills paid	£1,674,645
	£7,185,645
Arrears of Interest	£400,000
	£7,585,645

It is therefore probable, to say the least, that had Mr. Pitt attended to the first application of the Bank and made arrangements for satisfying their claims, the extreme measure of suspension of payment might have been avoided. The following extract from the evidence given by the Governor of the Bank before the Committee of the House of Lords on March 24th, 1797, supports this view.

"*Q.* If, in consequence of the various remonstrances that have been made to the Chancellor of the Exchequer, the

advances by the Bank to Government had been either paid off or greatly diminished, do you not conceive it would have enabled the Bank to regulate, at their discretion, the amount of the bank-notes in circulation?—*A.* Undoubtedly.

Q. If the advances had been either paid off or greatly diminished at the periods you applied for such payments, do you think the necessity of the Order in Council for suspending the payments in cash on the 26th February would have existed?—*A.* Had the advances to Government been considerably less, I do not think the Order in Council would have been necessary."

On the 3rd May an Act was passed which confirmed the Order in Council for the suspension of cash payments; it was known as Peel's "Restriction Act." It was only a temporary measure, but the time of its enforcement was afterwards prolonged, and finally an Act was passed by which the Order remained in force until "six months after the conclusion of the war."

In the same month the exclusive privileges of the Bank were threatened. On the 30th May Sir William Pulteney, in the House of Commons, asked leave to bring in a bill for the creation of a new bank "in case the Bank of England did not pay in specie on June 24th, 1797." He said he considered "that the monopoly of the Bank was no better than a premium for indolence and neglect." Mr. Pitt

opposed the measure; he said successful progress had been made towards the resumption of payments in specie, but he could not say when that ought to take place. The bill was rejected.

The suspension of cash payments was continued for political reasons, and not because the Bank was unable to pay its notes in cash. A Court of the Directors of the Bank was held on October 26th, at which it was resolved that "the Governor and Company of the Bank of England are enabled to issue specie in any manner that may be deemed necessary for the accommodation of the public." After alluding to "political circumstances," the resolution concludes by stating that the directors "wish to submit to the wisdom of Parliament whether, as it has been once judged proper to lay a restriction on the payments of the Bank in cash, it may or may not be prudent to continue the same." A Committee of Secrecy was appointed by the House of Commons to inquire into the matter. On November 11th the Bank submitted a statement which showed their claims to be seventeen millions and the funds at their command twenty-one millions, exclusive of the permanent Government debt to them of eleven millions. Notwithstanding this satisfactory

condition, the Committee reported in favour of the continuation of the restriction.

In the year 1798 an Act of Parliament was passed to legalize voluntary contributions for the purpose of carrying on the war. The Bank headed the list with a contribution of £200,000. Hustings were erected at the east of the Royal Exchange, and the area was crowded with persons who subscribed sums of a guinea and upwards. The subscriptions amounted to two millions, and in addition £300,000 was remitted from India.

The new century commenced with the renewal of the Bank Charter. On January 9th, 1800, the general meeting of the proprietors of Bank Stock resolved that an offer be made to the Government to advance three millions *without interest* on the security of Exchequer bills. Parliament accepted the offer, and in consideration thereof prolonged the Charter for an additional period of twenty years, that is, from August 1st, 1813 (the previously arranged date of its expiration), to August 1st, 1833, with one year's notice from that day.

In July, 1803, Robert Astlett, a nephew of Abraham Newland, the chief cashier, a clerk in the Bank, was tried at the Old Bailey for defrauding

his employers of the enormous sum of £320,000 in Exchequer bills. The prosecution failed in consequence of the remarkable defence of the prisoner by Mr. (afterwards Lord) Erskine, who objected to the indictment on the ground of the documents not being Exchequer bills at all. He maintained that the bills in question, being signed by a party not authorized by the Act of Parliament, by virtue of which Exchequer bills were created, were not Government securities, but simply so many pieces of paper. He said, "The foundation of the argument used by the counsel for the Bank was, that the Bank Act makes it a capital felony for any person to embezzle the securities of the Bank of England, that person being a servant of the Bank, and being entrusted with them; but it was incumbent on the learned counsel to prove that the prisoner at the bar had embezzled the property of the Bank of England. The signature to the Exchequer bills, as they are called, had no more validity than if they had been signed by the officer of this court." * The prisoner was acquitted; but he was afterwards tried on another indictment, found guilty, and condemned to death. His sentence was commuted to imprisonment, and he was confined in Newgate for many years.

* Lawson's *History of Banking.*

Four years afterwards, in 1807, Abraham Newland, who had served the Bank for more than fifty years, resigned his appointment. The directors offered him an annuity, which he declined; they then presented him with a service of plate worth £1050, which he accepted. He died in the following year worth £200,000. It should not be supposed that he accumulated this large sum from his salary, for he had opportunities afforded him of participating in the various loans negotiated by his employers.

Mr. Clement Scott has contributed the following account of Mr. Newland to the *Daily Graphic:*

"He was the son of a baker in Castle Street, St. Mary's Overy, Southwark, where he was born April 23, 1730. Appointed at the age of eighteen a clerk in the Bank of England, he became, in January, 1782, chief cashier, with a liberal salary and a suite of rooms. For a quarter of a century he never slept a single night out of the building, and during this time the services he rendered the Bank were recognized as of the most important kind. When the Bank stopped payment in 1797 Mr. Newland's information, given before a Committee to the House of Lords, threw the chief light upon the circumstances which led to that measure and upon the general concerns of the establishment. In 1803 a clerk named Astlett, who had risen from a humble position to one of the highest situations in the Bank, embezzled Exchequer bills to the amount of £320,000, and the shock operated so severely on Mr.

Newland's mind that he never recovered from it, and in September, 1807, resigned his post after nearly sixty years' service. He lived scarcely two months after his resignation, his death taking place at Highbury November 21, 1807, and his funeral on the 28th in the Church of St. Saviour, Southwark. He died unmarried, leaving property behind him to the amount of £130,000. The celebrity of his name, attached for so long a period to the paper currency of this country, gave rise to the well-known song of 'Abraham Newland,' written by the junior Charles Dibdin."

In 1804, by permission of the Privy Council, the Bank had some dollars made at Mr. Boulton's manufactory in Birmingham. They were stamped on the reverse with the words, "Five Shilling Dollar, Bank of England, 1804."

In 1808 a Finance Committee was appointed by the Government, to inquire into matters concerning the public expenditure. They examined the accounts of the Bank of England, and suggested various reductions in the amounts payable to the latter by the Government. These reductions were agreed to by the directors, and a meeting of the proprietors was held, when a resolution, of which the following is the substance, was passed: That £500,000 be withdrawn from the fund appropriated for unclaimed dividends, for the use of the public. That such alteration shall take place in the rate of the manage-

ment, as shall be a saving to the Government of £70,000 per annum; and that three millions sterling shall be advanced to the State, without interest, the payment to be secured by Exchequer bills, to be made payable at the signing of a definitive treaty of peace. It has been computed that the loss of interest on the above three millions to the conclusion of the war, amounted to above one million sterling. Some notable forgeries of bank-notes were discovered during the same year. At that time quite a brisk trade was carried on in forged notes, its principal centre being Birmingham. Towards the close of 1808, one Vincent Alessi, an Italian, went to Birmingham to order some manufactures suitable for export to Spain. In the course of the day he did business with a brass-founder, who eventually offered him "another article" on which a good profit could be made, at the same time showing him a sample. The other article was a forged Bank of England note. The offer at that time was declined, but in the evening Alessi received a visit from a man named John Nicholls, and agreed to take some of the forged notes at the rate of six shillings in the pound, and it was arranged that in ordering further supplies, Alessi should write for so many dozen candlesticks—No. 1,

2, or 5, according to the amounts of the notes required. The police, however, were on the track of these swindlers, and soon had Alessi in custody. They allowed him to become king's evidence, and used him as a trap by which to catch Nicholls. Alessi wrote to him stating that he was going to America, and required twenty dozen candlesticks, No. 5; twenty-four dozen, No. 1; and four dozen, No. 2, which he requested Nicholls to bring to him. The unsuspecting Nicholls came to London, and Alessi made an appointment to settle the business. Nicholls came again at the appointed time. The police were concealed within hearing, and, at a signal from Alessi, they appeared on the scene just as the so-called "candlesticks" were being handed over. The police also captured thirteen dealers in forged notes in one day, and found counterfeit notes in their possession to the amount of £10,000. These forgeries were very bad ones, some bearing imitation signatures of cashiers long since dead; they seldom escaped detection at the Bank of England, but they were, nevertheless, a fraud on the public. The holders passed them on uneducated people mainly in Wales and Scotland.

CHAPTER VIII.

1809–1821

The Bullion Committee—Panic—Issue of tokens—Motions in Parliament—Lord King's notice—Lord Stanhope's Act—High price of gold—Acts of Parliament—Conspiracy to raise prices of funds—Restriction Act prolonged—Increase of capital—Notes paid in gold—Grundy's action—Forged notes and capital punishment—Bank prohibited from paying gold for notes—Statement showing surplus—The Currency Bill—Act for prevention of forgery—Cash payments resumed—Turner's frauds.

THE working out of the principle of what is called "Gresham's law"—that is, that the introduction of an inferior substance as currency tends to drive out of the country the more valuable metal—that principle had been producing its inevitable result since the substitution by Order of Council of a paper instead of a gold currency, so that in May, 1809, gold had risen from £3 17*s.* 10½*d.* per ounce—the Mint price—to £4 11*s.* per ounce, and a guinea, which in England represented only 21*s.*, on the Continent would realize 29*s.*

In February, 1810, a Committee was appointed

by the House of Commons to take into consideration the high price of bullion, the state of the circulating medium, and the rate of foreign exchanges. After two sittings, on February 22nd and May 25th, the Committee presented their report. After complimenting the directors of the Bank of England for having acted during the suspension of cash payments with "integrity and regard to public interests," the Committee reported, in reference to the high price of bullion and the adverse rate of exchange, "that this excess is to be ascribed to the want of a sufficient control in the issues of the Bank of England, and originally to the suspension of cash payments, which removed the natural and true control," and they recommended "that the circulating medium of this country should be brought back with as much speed as is compatible with a wise caution, to the original principle of cash payments, at the option of the holders of bank paper." In conclusion, the report named two years as the limit within which the Bank Restriction Act should terminate, and advised an issue of notes for less than £5 each for a short time after the return to cash payments.

In the year 1811 a period of wild commercial

speculation was followed by one of panic and disaster. There had been an enormous increase of exports to many countries, particularly to South America and the West Indies. All kinds of articles were shipped in large quantities, in some cases without regard to the suitability of the articles to the climate or the requirements of the people to whom they were sent. One over-enterprising merchant, it is said, sent a consignment of skates to Jamaica! As might have been expected, reaction set in; prices fell, there were numerous bankruptcies, factories were closed, and numbers of workmen were thrown out of employment. Money became scarce, and on July 9th the Bank issued silver tokens of the denominations of three shillings and eighteen pence. Between that date and the year 1815 the amount of these tokens put into circulation was nearly four and a half millions sterling. Credit was shaken, and the merchants of London held a meeting to consider what should be done to support it. Government was called upon to interfere. Parliament authorized the advance of six millions to those who could give satisfactory security.

On May 6th a resolution, founded on the report of the Bullion Committee recommending the

resumption of cash payments, was considered by the House of Commons, but was rejected by a large majority. Seven days later Mr. Vansittart brought forward a motion in which it was asserted that the price of gold had advanced and that Bank of England notes had not depreciated. After some remarkable speeches the motion was carried.

The affairs of the Bank engaged the attention of Parliament again in the year 1811, in consequence of the refusal of Lord King, a descendant of the celebrated Locke King, to receive bank-notes at their nominal value. His position is explained in the following circular which was sent to his tenants:

"By lease dated 1804 you have agreed to pay the annual rent of in good and lawful money of Great Britain. In consequence of the late depreciation of paper money I can no longer accept of any bank-notes at their nominal value in payment for satisfaction of an old contract. I must, therefore, desire you to provide for the payment of your rent in the legal coin of the realm: at the same time, having no other object than to receive payment of the real intrinsic value of the sum stipulated by agreement, and being desirous to avoid giving you unnecessary trouble, I shall be willing to receive payment in either of the manners following, according to your option:

"1. By payment in guineas.

"2. By payment in Portugal gold coin, equal in weight to the number of guineas requisite to discharge the debt.

"3. By a payment in bank-notes of a sum sufficient to purchase, at the present market price, the weight of standard gold requisite to discharge the rent. The alteration of the value of paper-money is estimated in this manner. The price of gold in 1802, the year of your agreement, was £4 per ounce, the present market price is £4 14*s.*, arising from the diminished value of paper: in that proportion an addition of £17 10*s.* per cent. in paper-money will be required, as the equivalent for the payment of rent in paper.

"(Signed) KING.

"N.B.—A power of re-entry and ejectment is reserved by deed in case of nonpayment of rent due.

"No draft will be received."

This attack on the currency of the nation—bank-notes were part of that currency while the Order in Council remained in force—could not be permitted. Lord Stanhope met that attack by moving a resolution in the House of Lords declaring it to be illegal to give more than 21*s.* for a guinea or less than 20*s.* for a one pound note. Lord King defended his action and others supported him, but the resolution was carried. Considerable alterations were made in it in the House of Commons, but the principle

remained untouched and the measure was carried through the Lower House also.[1]

During the year the market price of gold reached £5 11*s.*, and bank-notes sank to 14*s.* In spite of Lord Stanhope's Act the traffic continued. Whenever the Mint coined gold speculators sent the coin abroad in order to reap the advantages of the exchanges.

An Act (52 Geo. III. c. 138) was passed in 1812 "for the further prevention of the counterfeiting of silver tokens issued by the Governor and Company of the Bank of England called *dollars*, and of silver pieces issued and circulated by the said Governor and Company, called *tokens*, and for the further prevention of frauds practised by the imitation of the notes or bills of the said Governor and Company."

During that year and for some time after the scarcity of gold continued. The wars of Buonaparte created universal distrust and alarm on the Continent,

[1] This Act (51 Geo. III. c. 127) is entitled, "An Act for making more effectual provision for preventing the current coin of the realm from being paid or accepted for a greater value than the current value of such coin; for preventing any note or bill of the Governor and Company of the Bank of England from being received for any smaller sum than the sum therein specified; and for staying proceedings upon any distress by tender of such notes."

and gold, when it left our shores, was either coined into foreign money or hoarded to provide against the uncertainties of the future. The historian Knight says, "a guinea, a half-guinea, or a seven-shilling piece had become a rare sight in Great Britain." The fact that six Spanish dollars could be purchased on the Continent for one guinea was a temptation to send money abroad, which some speculators could not resist. Mr. Lawson gives an instance of how the matter worked out. "A parcel of goods bought in London for £500 might have been sold on the Continent for 400 guineas. Yet for the 400 guineas the merchant might have obtained from his banker £580 or 552 guineas and eight shillings."

On February 21st, 1814, funds were much depressed in consequence of a check given to the allied forces by Buonaparte. The regions of the Bank of England and the Stock Exchange were in a state of great excitement. Although it was a "private day" at the Bank, the clerks in the stock offices were busily engaged making transfers which, contrary to custom, poured in from the Stock Exchange. Many of these transfers remained incomplete, for news had suddenly reached the

Metropolis, brought in haste by messengers from Dover, that our forces had been victorious, Buonaparte was slain, and the allied armies were in possession of Paris. Funds immediately rose, and sellers were no longer anxious to sell. It was afterwards discovered that the news was false and had been circulated by means of a clever conspiracy. Several persons were prosecuted and were condemned to fine or imprisonment; among them was Lord Cochrane.

1815 was the year of Waterloo and peace; these great events had their effect on the Bank as well as on the country generally. According to the third Bank Restriction Act, passed November 30th, 1797, the restriction of cash payments should have ceased six months after the conclusion of the war; but a new Act was passed by which the Restriction Act was to remain in force until July 5th, 1816, and after that date the restriction was again prolonged more than once.

The three millions lent to the Government without interest became due in December. As the public balances in the keeping of the Bank amounted to a large sum, the Chancellor of the Exchequer wrote

to the Governor to ask if the loan could be continued till the following year, and the request was granted.

In 1816 an Act (56 Geo. III. c. 60) was passed to transfer Unclaimed Stock to the National Debt Commissioners. The accumulated profits of the Bank enabled the directors to grant the proprietors a bonus of 25 per cent. added to the amount of their Stock. The sanction of Parliament was granted to this arrangement, and the capital of the Bank was increased from £11,642,000 to £14,533,000. The consideration given to the Government for this privilege was the loan of three millions for two years without interest.

In the year 1817 the Bank of England prosecuted one hundred and forty-two persons in connection with forgeries. On April 17th in that year the directors announced that after May 2nd they would pay cash for all bank-notes of £1 and £2, dated prior to January 1st, 1816, or would exchange them for new notes. The confidence of the public was shown by the fact that very few notes were presented. On September 18th the directors issued another notice, stating that on and after the first day of October then next ensuing they would be

ready to pay cash for their notes, of every description, dated prior to January 1st, 1817.

In 1818 a curious action was tried. Mr. Grundy, a holder of Bank Stock, at a meeting of proprietors held in the Bank Parlour, proposed that the whole of the profits should be included in the dividend. As his proposal was rejected he invoked the law; the cause was tried in the Court of King's Bench, and, as might have been anticipated, judgment was given against him.

Until this year the Bank had always detained forged notes which were presented for payment, but in 1818 two persons who had two of these notes returned to them by the Bank, paid the amount and kept the notes. The Bank prosecuted them for having forged notes in their possession, but they were acquitted. In consequence of that decision the Bank adopted the plan of stamping such notes in several places with the word "Forged" and returning them to the parties presenting them.

The manner of dealing with such forgeries caused much dissatisfaction and discussion on account of the numerous executions which followed detection. On January 22nd a Committee was appointed by

Parliament to inquire as to the best mode of preventing the forgery of bank-notes, but the inquiry had no practical result. From 1800 to 1810 inclusive, notes to the amount of over £101,000, on presentation for payment, were refused as forgeries, and at the time the Committee were sitting such notes were coming in to the amount of £30,000 per annum. A great number of persons had been hanged, but the crime was not diminished. It was the result of a caricature of the artist Cruikshank that capital punishment for passing forged bank-notes ceased.[1]

On May 26th, 1818, the Bank of England gave notice that books would be opened on "May 31st and two following days for receiving subscriptions to the amount of £7,000,000 from persons desirous of funding Exchequer bills." As the idea had gone abroad that the whole of the sum would be immediately subscribed for, an extraordinary scene was witnessed outside and inside the Bank on the eventful May morning. So great was the anxiety of the investing public not to miss the opportunity of subscribing their names that many

[1] A facsimile of this caricature appeared in the *Banker's Magazine* for June, 1846; and also in the *Daily Graphic* for December 24th, 1891.

persons assembled outside the Bank as early as two o'clock in the morning and waited admission. The numbers gradually increased by the arrival of others who were anxious to be in time, and when the outer door was opened there was a general rush. The crowd now filled the passage leading to the chief cashier's office, and as the time for commencing business in that office was ten o'clock there was still more than an hour to wait. When at last that office was opened there was a tremendous crush for admission, and so great was the struggle that the door, a very substantial one, was forced off its hinges. The major part of that struggling crowd was doomed to disappointment, for the whole seven millions was subscribed for by the first ten persons who reached the counter.

In the year 1819 a bill was passed through Parliament in two nights to prohibit the Bank from paying away any more gold under their notices of April 17th and September 18th, 1817. This bill was thus hurried through in consequence of a Committee of the House of Commons having reported that the Bank had paid away over five millions in gold, which had nearly all been exported to the Continent and had there been re-coined into foreign money.

An account laid before Parliament showed a surplus in favour of the Bank of £5,202,320, irrespective of its capital of over fourteen and a half millions.

In this year, after having been again and again deferred, the date of the resumption of cash payments was definitely fixed by the passing of Peel's Currency Bill. Although the passing of the Restriction Act was not accomplished without opposition, and although it caused a considerable amount of inconvenience to the public, the Currency Bill, which was to terminate the restriction, was also opposed, and the House of Commons witnessed the singular spectacle of father and son taking opposite sides. A petition against the bill was signed by some merchants of the City, and was presented to Parliament by Sir Robert, the father of Mr. Peel. The bill was passed, and it provided that:

1. The Bank Restriction Act was continued absolutely from July 5th, 1819, to February 1st, 1820.

2. Between February 1st and October 1st, 1820, the Bank was required to pay its notes in gold bullion of standard fineness, at the rate of £4 1*s.* per ounce, but not to be liable for a demand for a less quantity than sixty ounces at one time.

3. Between October 1st, 1820, and May 1st, 1821, the Bank was required to pay its notes in gold bullion upon the same plan, at the rate of £3 19*s.* 6*d.* per ounce.

4. Between May 1st, 1821, and May 1st, 1823, the Bank was to pay in gold bullion upon the same plan, at the rate of £3 17*s.* 10½*d.* per ounce, which was the Mint price of gold.

5. From May 1st, 1823, the Bank was to pay its notes in the gold coin of the realm.

6. But between February 1st and October 1st, 1820, the Bank might make payments at a less rate than £4 1*s.*, and not less than £3 19*s.* 6*d.* per ounce; and between October 1st, 1820, and May 1st, 1821, the Bank might pay at any rate less than £3 19*s.* 6*d.*, and not less than £3 17*s.* 10½*d.*, on giving three days' notice in the *Gazette*. Such payments to be made in ingots or bars of gold of the weight of sixty ounces. The Bank was also permitted to pay in gold coin on or after May 1st, 1822.

7. All the laws which restrained the exportation of gold and silver coin were repealed, and the coin was allowed to be exported or melted without incurring any penalty.

The bill did not give satisfaction to the Bank directors. They wished to be allowed to pay their notes in gold bullion at the market price of the day.

The 59 Geo. III. c. 76 was passed to prohibit the Bank making advances to Government without the authority of Parliament. But the Bank was

allowed to purchase Exchequer bills, or to advance money on them, but the amount of such bills was to be laid annually before Parliament.[1]

In 1820 an Act was passed for the better prevention of forging and counterfeiting bank-notes. This Act also permitted the signature of the notes to be impressed by machine instead of being signed by hand.

On May 1st, 1821, the Bank began to pay their notes in gold. This was exactly a year earlier than the date named in the Currency Bill; but the directors had got an Act (1 and 2 Geo. IV. c. 26) passed through Parliament which permitted them to pay cash at the earlier date. The gold coins now issued by the Bank were sovereigns, not guineas. £9,520,758 in gold were coined by the Mint in this year. Sovereigns were first issued in 1489, and again in 1542; then there was a long interval, and the new sovereigns were first issued in 1817.[2]

The history of an institution like the Bank of

[1] GILBART'S *History of Banking*.

[2] GILBART, in *The History*, etc. (edited by A. S. Michie), p. 60, says, "1821 . . . Sovereigns of the value of twenty shillings were now coined." This is evidently a mistake; see FRANCIS' *History*, HAYDN'S *Dictionary of Dates*, etc.

England, which presents so many temptations to human cupidity, must necessarily contain several instances of crime, even if only the most remarkable are recorded.

In 1821 it was found that a leaf had been removed from a transfer-book, and the pages re-numbered to make them run consecutively. This led to the discovery of an ingenious fraud committed by William Swiney Barnard Turner, a clerk in the establishment. The transfer of £4,795 15*s.* Navy Five per Cent. Stock to the account of Sir Robert Peel had been altered to £14,795 15*s.*, and the £10,000 was transferred to a fictitious account, which was opened in the name of John Penn, of Highgate. Turner was called into the Bank parlour and questioned. His answers not being satisfactory, he was given into custody, but the directors wishing to treat him leniently, he was not at once conveyed to prison. The officer in charge locked him up in a bedroom on the third floor of an hotel. In the morning there was a sound of breaking glass, and Turner was seen hanging from the window. He fell to the ground, was greatly injured, and was carried to the hospital. On September 18th he was put on his trial, and came into court on crutches.

The prisoner had destroyed most of the proofs of his guilt, and the principal witness to his handwriting was about to step down when the prisoner whispered to his counsel, and the latter put the question, "Do you believe the New Testament to be a revelation from God"? The witness was confused, and hesitated. Several witnesses were called to prove that he had often avowed his unbelief. The jury returned a verdict of "Not guilty." The prisoner was released, and retired to the shores of Lake Como. He soon ran through his money, and afterwards died in a back street in London in great distress.

CHAPTER IX.

1822–1825

Extension of time for small country notes—Its effect on the Bank—Reduction of Interest on the Navy Five per Cents.—The Dead Weight—Clerks pensioned off—Fauntleroy's Forgeries—His Execution—The Panic of 1825—Evidence of Bank Officials—Failure of Pole & Co.—Causes of the Panic—Help rendered by the Bank—Saved by an Old Box of Notes.

AS the law stood prior to 1822, country bank-notes under £5 were prohibited on the resumption of cash payments by the Bank; but in 1822 an Act was passed permitting the country bankers to issue such notes until the expiration of the Bank Charter in 1833. This measure probably contributed to bring about and to increase the distress which prevailed in 1826, when so many country banks failed. The directors of the Bank of England considered it unfair to the Bank, as will be seen from a memorandum delivered by them to the Parliamentary Committee of 1832. In it they stated that they were enabled to cancel their small

notes in 1821; "and in the following year (1822), three years prior to the time fixed by Parliament, they were in a situation to furnish the gold for paying off the country small notes, when, without any communication with the Bank, the Government thought proper to authorize a continuance of the circulation of the country small notes until 1833. The consequence of that measure was to leave in the possession of the Bank an inordinate quantity of bullion (£14,200,000 in January, 1824), and, further, to afford the power of extension to the country bankers' issues, which, it is believed, were greatly extended from 1823 to 1825."

In 1822 the Government reduced the interest of the Navy Five per Cents. to four per cent. at the option of the holders. Each holder who consented received for each £100 old Stock, £105 new Stock, called "New Fours." The Bank agreed to advance the money required to pay off dissentients.

At this time the Government was paying the large sum of five millions annually in pensions to the retired officers of the Army, Navy, and Ordnance. Being desirous of lessening the burden they entered

into negotiations with the Bank, and agreed to pay the latter an annuity of £585,740 per annum, to commence April 5th, 1823, and to continue for forty-four years. The directors of the Bank, on their part, agreed to pay, between April, 1823, and April, 1828, the sum of £13,089,419 for the payment of the above-named pensions. This sum has been commonly called the "Dead Weight," for by the agreement a large portion of the Bank's funds was locked up, and inconvenience, if not jeopardy, was experienced in consequence.

A large part of the work of the Bank employees is connected with the note circulation. When notes of a lower denomination than £5 were abolished, a good deal of that work ceased, and the directors found that they did not require so many clerks. A number were, therefore, discharged. On leaving the Bank service they were granted either a pension, or the value of a pension in a lump sum, at their option. The conduct of the directors on this occasion was considered very liberal, and gave general satisfaction.

One of the most notorious forgers of modern times was Henry Fauntleroy, who was executed in 1824. He was a partner in the banking-house of

Marsh, Sibbald and Co., of Berners Street. In 1814 he was appointed one of three trustees for eight children. He very soon after forged the signatures of his co-trustees to a power of attorney, which enabled him to sell the amount of Consols which stood in their joint names. This forgery was followed by many others. In time, the discovery of the frauds was made by one of Fauntleroy's co-trustees having occasion to refer to one of the accounts at the Bank of England, when he found to his dismay the whole of the Stock in question, amounting to £30,000, had been sold out. The police were communicated with, and the next morning Mr. Fauntleroy was arrested in his office. It is a remarkable fact that among his papers a document, in his own handwriting, was found giving a list of his forgeries, and his reasons for committing them. The latter statement is as follows: "In order to keep up the credit of our house, I have forged powers of attorney for the above sums and parties, and sold out to the amount here stated, and without the knowledge of my partners. I kept up the payments of the dividends, and made no entries of such payments in our books. The Bank first began to refuse to

discount our acceptances, and to destroy the credit of our house. The Bank shall smart for it." He was tried at the Old Bailey on October 30th, and immediately found guilty, and sentence of death was passed upon him. Great efforts were made to save his life, but they were unavailing, and the execution took place on November 30th in the presence of an enormous crowd of people. The loss to the Bank by Fauntleroy's forged powers of attorney was £360,000.

In the month of December, 1825, a panic commenced, which proved to be one of the most severe experienced for many years. The Bank of England was almost compelled to stop payment; at one time there were bank-notes in circulation to the amount of twenty millions, when the coin to meet them amounted only to a little over one million; indeed, the Bank was only saved by the accidental discovery of a box of £1 notes. During the panic several London and a large number of country bankers stopped payment.

This period of depression followed one of great apparent prosperity. During that year and the preceding one there had been great speculations in joint-stock companies and foreign loans, which

required large capital, and sent much gold out of the country. 624 companies were projected, which would require 372 millions to carry them out; some were not started, and some were soon abandoned. The 245 which were started absorbed seventeen and a half millions. The foreign loans which were contracted for in England from 1823 to 1826 amounted to the sum of £52,394,571.

In December, 1825, the course of exchange was unfavourable and caused a demand for gold for exportation. The Bank were then under the necessity of restraining their issues. Sir Peter Pole & Co., who were agents in London for several country bankers, were in difficulties and applied to the Bank for assistance. Mr. Richards, the Deputy Governor of the Bank, thus described the state of affairs in his evidence before the Committee of the House of Commons in the following year:

"I think I can recollect," said Mr. Richards, "on the first Saturday in December, having come home after a very weary and anxious day from the Bank, receiving a visit from two members of this Committee and one of our bankers at my own house, stating a difficulty in which a banking-house near to the Bank was placed. . . . I was called upon because the Governor was particularly connected with the house of Pole & Co. by marriage and other circumstances of relation-

ship. After speaking upon the subject for some time I was pretty sure that I could answer for the firmness of the Bank, and I ventured to encourage these gentlemen to hope that upon anything like a fair statement the Bank would not let this concern fall through. It was agreed that upon the following morning (Sunday) we should meet as many directors as I could get together, with the three gentlemen who had called upon me, at the house of one of them, and that in the meantime some eminent merchants, friends of the house, should also be called to the meeting to assist with their opinion. We so met . . . it was agreed that £300,000 should be placed at the disposal of Pole & Co. the next morning, for which the Bank was to receive, and did receive, as securities a number of bills of exchange and notes of hand, and, over and above, a mortgage on Sir Peter Pole's property, which was to ride over the whole."

Notwithstanding the assistance given them by the Bank, Sir Peter Pole & Co. stopped payment. This stoppage caused the notes of country banks to be discredited and general alarm was the consequence, and that again increased the demands on the Bank. The Bank having ceased to issue small notes had to part with gold, and it did so until its stock was reduced to the lowest point. Mr. Harman, a director of the Bank, in his examination before the House of Commons Committee, stated that, "At the latter end of December,

1825, the amount of gold in the Bank coffers was miserably low. The timely issue of the one-pound notes worked wonders, and it was by great good luck we had the means of doing it; for it happened that an old box containing a quantity of one-pound notes had been overlooked, and they were forthcoming at the lucky moment. This, as far as my judgment goes, saved the country."

The crisis was at its height from Monday, 12th, to Saturday, December 17th. Mr. J. H. Palmer, the Governor of the Bank, gave his opinions and experiences before the Committee already alluded to. He said:

"I have always considered that the first step towards the excitement was the reduction of the interest upon the Government Securities; the first movement in that respect was, I think, upon £135,000,000 of Five per Cents., which took place in 1823. In the subsequent year, 1824, followed the reduction of £80,000,000 of Four per Cents. I have always considered that reduction of interests, one-fifth in one year and one-eighth in the other, to have created the feverish feeling in the minds of the public at large which prompted almost everybody to entertain any proposition for investment, however absurd, which was tendered. The excitement of that period was further promoted by the acknowledgment of the South American republics by this country and the inducements held out for engaging in mining operations,

and loans to those governments, in which all classes of the community in England seem to have partaken almost simultaneously. With those speculations arose others in commercial produce which had an effect of disturbing the relative values between this and other countries and creating an unfavourable foreign exchange, which continued from October, 1824, to November, 1825, causing a very considerable export of bullion from the Bank—about seven millions and a half."

Speaking of the assistance given by the Bank, he said:

"We lent by every possible means, and in modes we had never adopted before. We took in Stock as security, we purchased Exchequer bills, we made advances on Exchequer bills, we not only discounted outright, but we made advances on deposit of bills of exchange to an immense amount, in short, by every possible means consistent with the safety of the Bank; and we were not upon some occasions over nice; seeing the dreadful state in which the public were, we rendered every assistance in our power.

"Did any communication take place between the Bank and the Government respecting an Order in Council to restrain payments in gold at that period?—Yes; it was suggested by the Bank.

"What answer did His Majesty's Government give to that?—They resisted it from first to last.

"The Bank of England issued one-pound notes at that period. Was that done to protect its remaining treasure?—Decidedly; and it worked wonders, and it was by great good

luck that we had the means of doing it, because one box containing a quantity of one-pound notes had been overlooked and they were forthcoming at the lucky moment.

"Had there been no foresight in the preparation of these one-pound notes?—None whatever, I solemnly declare.

"Do you think that the issuing of the one-pound notes did avert a complete drain?—As far as my judgment goes, it saved the credit of the country."

So it appears from the testimony of two of the high officials of the Bank that the credit of the Bank and the country were saved by the finding of an old box of small notes.

CHAPTER X.

1826–1833

Banking Reform—Proposals of the Government—Objections and consent of the Bank—Lord Liverpool's Speech—Abolition of Notes under £5—Money advanced on goods—Bank's monopoly curtailed—Introduction of Joint Stock Banks—"Branch Banks" established—Opposition of Country Bankers—Conversion of "New Fours"—Fears of an attack on the Bank—Forgery and Circulation of Forged Notes—Opposition to the Death Penalty—Petitions—Alteration of the Law—Politics and Gold—Committee of Secrecy—Renewal of Charter.

THE year 1826 was a year of banking reform; notes under £5 were abolished, branch banks were established, and part of the Bank's monopoly ceased.

The great panic which had so recently convulsed the country impressed people with the idea that some reform was necessary. The Government were resolved to take immediate action, and on January 13th, Lord Liverpool and Mr. Robinson, the Chancellor of the Exchequer, sent their proposals to the Bank of England. Among the statements and propositions of their paper were the following:

"We believe that much of the prosperity of the country for the last century is to be ascribed to the general wisdom, justice, and fairness of the dealings of the Bank; and we further think that during a great part of that time it may have been *in itself* and *by itself* fully equal to all the important duties and operations confided to it. But the progress of the country during the last thirty or forty years in every branch of industry, in agriculture, manufactures, commerce, and navigation, has been so rapid and extensive as to make it no reflection upon the Bank of England to say, that the *instrument* which *by itself* was fully adequate to former transactions, is no longer sufficient, without new aids, to meet the demands of the present times. We have, to a considerable degree, the proof of this position in the very establishment of so many country banks. Within the memory of many living, and even in some of those now engaged in public affairs, there were no country banks, except in a few of the great commercial towns.

"If the concerns of the country could be carried on without any bank than that of the Bank of England, there might be some reason for not interfering with their exclusive privilege; but the effect of the law at present is to permit every description of banking *except* that which is *solid* and *secure.*

"Let the Bank of England reflect on the dangers to which it has been recently exposed; and let its directors and proprietors then say whether, for their own interest, such an improvement as is suggested in the banking system is not desirable and even necessary.

* * * * *

"There appear to be two modes of attaining this object.

"First. That the Bank of England should establish branches of its own body in different parts of the country.

"Secondly. That the Bank of England should give up its exclusive privilege as to the number of partners engaged in banking, except within a certain distance of the Metropolis."

The directors took the communication of the Government under consideration, and after passing several resolutions in regard to it, they came to the conclusion that they could "not feel themselves justified in recommending to the proprietors to give up the privilege which they now enjoy, sanctioned and confirmed as it is by the solemn acts of the Legislature." After some correspondence with the Government and some compromise being arranged, a general Court of the Governor and Company of the Bank of England was held on February 3rd, at which the following resolution was passed:—

"That this Court do consent to the terms proposed to the Bank in the papers now read, and do request the Court of Directors to carry the arrangement into effect."

In order to carry out the proposed alterations and reforms, several Acts of Parliament were passed. On the 17th February, on introducing one of these

bills on banking into the House of Lords, Lord Liverpool said, "The present system is one of the fullest liberty as to what is rotten and bad, but one of the most complete restriction as to all that is good. By it a cobbler or a cheesemonger, without any proof of his ability to meet them, may issue his notes, unrestricted by any check whatever; while, on the other hand, more than six persons, however respectable, are not permitted to become partners in a bank with whose notes the whole business of the country might be transacted. Altogether the system is so absurd, both in theory and practice, that it would not appear to deserve the slightest support, if it was attentively considered even for a single moment."

An Act (7 Geo. IV. c. 6) provided that no more notes under £5 should be stamped, and those already stamped should not be issued or reissued after the 5th April, 1829, under a penalty of £20, and the Bank of England were required to make monthly returns to the Treasury of the weekly amounts of their notes under £5 in circulation.

The Act 7 Geo. IV. c. 7 was passed to enable the Bank to advance money upon "deposits and pledges," and under it the Bank, at the suggestion

of the Government, made advances on the security of goods in Manchester, Glasgow, Sheffield, and other towns, to the amount, in the aggregate, of £366,000.

Another Act (7 Geo. IV. c. 46) was for the "better regulating" of banks. By clauses 1 and 2 it was enacted that

1. "Banks having more than six partners might carry on business in England at a greater distance than sixty-five miles from London, provided they have no establishment as bankers in London, and that all the partners are liable for the whole debts of the bank.

2. "The banks shall not issue their notes at a place within sixty-five miles from London, nor draw any bills on London for a less amount than £50."

These are the principal clauses of the Act which abolished the monopoly of the Bank of England, except as regarded London and a radius of sixty-five miles round, and permitted the formation of joint-stock banks. Very little advantage was taken of the liberty granted until 1833. During the first four or five years from 1826 the formation of joint-stock banks averaged about one per annum. The first was formed in Lancaster, the second at Bradford, and the third at Norwich.

The fifteenth clause of the above Act authorized

the establishment of branches of the Bank of England, or rather it was enacted to "prevent any doubts that might arise" upon the subject. The directors of the Bank complied with the wishes of the Government in this matter, and during the same and the few following years opened branches at the places and dates here specified:

Gloucester*	branch	opened	19th July, 1826.
Manchester	,,	,,	21st September, 1826.
Swansea*	,,	,,	23rd October, 1826.
Birmingham	,,	,,	1st January, 1827.
Liverpool	,,	,,	2nd July, 1827.
Bristol	,,	,,	12th July, 1827.
Leeds	,,	,,	23rd August, 1827.
Exeter*	,,	,,	17th December, 1827.
Newcastle	,,	,,	21st April, 1828.
Hull	,,	,,	2nd January, 1829.
Norwich*	,,	,,	1st December, 1829.

The four branches marked thus * have been closed, and others have been since opened. At the present time the Bank has branches at

Manchester,
Birmingham,
Liverpool,
Bristol,
Leeds,
Newcastle,
Hull,
Plymouth,
Portsmouth,
Burlington Gardens ("Western Branch.")
Fleet Street ("Law Courts Branch.")

The opening of branch banks gave great dissatisfaction to the country bankers. On the 7th December, 1826, they met at the London Tavern in Bishopsgate Street and passed several resolutions, among which were the following:

"That the late measures of the Bank of England in the establishment of branch banks have the evident tendency to subvert the general banking system that has so long existed throughout the country, and which has grown up with, and been adapted to, the wants and conveniences of the public.

"That it can be distinctly proved that the prosperity of trade, the support of agriculture, the increase of general improvement, and the productiveness of the national revenue, are intimately connected with the existing system of banking.

"That the country bankers would not complain of rival establishments founded upon equal terms; but they do complain of being required to compete with a great Company, possessing a monopoly and exclusive privileges.

"That should this great corporation, conducted by directors who are not personally responsible, succeed, by means of these exclusive advantages, in their apparent object of supplanting the existing banking establishments, they will thereby be rendered masters of the circulation of the country, which they will be able to contract or expand according to their own will, and thus be armed with a tremendous power and influence dangerous to the stability of property and the independence of the country."

The meeting also appointed a deputation to wait on Lord Goderich, the first Lord of the Treasury, and Mr. Herries, the Chancellor of the Exchequer. The result of the deputation's interview with Lord Goderich and the Chancellor of the Exchequer was reported by the chairman, Sir John Wrottesley, Bart., M.P., to another meeting held at the same place on December 16th. It amounted practically merely to the fact that those gentlemen assured the deputation that "all that had been communicated should receive the most deliberate and serious attention."

In 1828 other complaints of the country bankers and a "humble memorial" were laid before the Lords of the Treasury. They had some just cause of complaint in the inequality of the stamp duties, and were successful in their representations. An Act of Parliament was in consequence passed, which enabled country bankers to compound for their stamp duties on the same terms as the Bank of England. In reply to their memorial the Government promised that "the interests of the country bankers should not be neglected in any negotiation between the Government and the Bank of England for the renewal of the Bank Charter."

The Bank was busy in the year 1830 with another conversion of Stock. The Government reduced the interest of the New Four Per Cents. (originally the Navy Five Per Cents.) to three and a half per cent. The Stock amounted to over £138,000,000, and was then called the "New Three-and-a-half Per Cents."

In the latter part of this year there were great fears of a mob making an attack on the Bank. The revolutionary spirit which pervaded a great part of the Continent — France, Belgium, Saxony, Poland, and other parts—affected this country also. Demands for reform became general and persistent. London asked for an improved representation, and the Duke of Wellington—as unpopular as a politician as he was popular as a soldier—intimated his intention to resist any measure of reform that might be brought forward. Riots first broke out in Kent. Fires, the work of incendiaries, blazed night after night; mills were attacked and machinery destroyed; small bodies of men continually passed into the Metropolis, and a large mob paraded the streets carrying a tricoloured flag. Fear took possession of peaceable citizens and shops were closed. The King was to have attended a banquet given by the Lord Mayor on the 9th November, but he deferred

his visit to the City. All the assistants of the Bank were required to remain on the premises, and casks of biscuits were ordered in to provide for a state of siege. The intentions of the mob, however, were not so serious as was feared, or its courage was not so great as to accomplish great things, for the police attacked and dispersed it without much difficulty; the "old lady's" rest was not greatly disturbed, and in twenty-four hours all danger was over.

The history of counterfeit bank-notes is a sad one, and it reveals the fund of dishonesty and cruelty that exists in human nature. It has been previously shown how much dissatisfaction had been aroused by the publication of Mr. Cruikshank's "Note" in 1819. In that year juries began to show a reluctance to convict, and the opposition to capital punishments continued to increase. But while the objections to "the extreme penalty of the law" increased, the crimes of forging and uttering bank-notes increased also, and to a greater extent. The Act passed in 1820 "for the further prevention" of those crimes had had little or no effect. Sir Samuel Romilly said he believed the feelings of the people of England were against the punish-

ment of death for forgery, and that the increase of the crime showed that the severe laws had not had the effect of preventing forgeries. The humane and thoughtful part of society demanded an alteration of the law or an improvement of the note, for the bank-note was easily imitated. Some blamed the Bank for these executions, and accused the directors of inhumanity or indifference. Those accusations were not entirely merited. The directors had one hundred and eight projects regularly classified and arranged, with specimens of the proposed new notes, but all these proposed alterations had been successfully imitated by the Bank engraver. They were placed before the appointed Commissioners, who agreed with the opinion that none of the projects could be of any advantage. In some instances even the directors had supplied the projectors with funds to enable them to carry their ideas into effect.

Juries continued to refuse to convict, although in some cases the evidence of guilt was very strong. Many merchants and bankers refused to prosecute, saying they would rather suffer loss than shed blood; but notwithstanding all this reluctance the convictions and executions were very numerous.

Mr. Francis has thus graphically described the scenes of that time:

"Men were hung in strings. Monday mornings witnessed a waste of human life alike horrifying and disgraceful. Prosecutions increased; enormous expenses were incurred; 'examples were made,' to use the phrase of the period; and what was the result? The crime continued. From one or two manufacturers issued most, if not all, the forged notes which were in circulation; and the manufacturer of thousands remained unscathed, while the issuer of one was hung. They were sold to ignorant, uneducated, and almost irresponsible men for a few shillings in the pound; and there were always a sufficient number urged by want, desire, or vice to run the risk, who accomplished their circulation."

Many petitions were presented to Parliament against capital punishments, and none in favour of them. One of the petitions sent in by the country bankers contained nine hundred signatures; another contained only three signatures, but they were names of great weight in the City, the first of them being known in all the civilized world. They were Mr. N. M. Rothschild, Overend, Gurney and Co., and Mr. Sanderson. In 1830 Sir Robert Peel brought in a bill to abolish capital punishments in certain cases. It was passed in the Commons,

but was thrown out by the Lords. Another bill was brought in in 1832 and passed in both Houses. It abolished hanging for forgery except in cases of forged wills and powers of attorney.

Money has sometimes proved to be "the sinews of war" in political as well as in military matters. The reform agitation of 1832 was the cause of a run on the Bank. Lord John Russell's Reform Bill to abolish pocket-boroughs was thrown out by a majority of eight. The King went down to the House and prorogued Parliament till May 10th. Then came an election with its accompanying excitement. The bill was re-introduced, and passed the Commons by a large majority; but again it was rejected by the Lords. The Ministry resigned, and Lord Lyndhurst and the Duke of Wellington were sent for. The popular excitement increased; riots broke out, beginning in Kent; members of the Upper House were attacked, and clubs and sword-sticks were in great demand. Bills were posted about the Metropolis containing the words, "Stop the Duke! Go for gold!" The latter part of this advice was taken — the public went for gold. One man drew out £20,000 in notes from Jones,

Lloyd & Co. (bankers) and presented them at the Bank of England; the run lasted for a week, and the specie was reduced to £4,919,000. Many persons sold Stock and the prices of funds fell; when the run ceased they brought back their gold and repurchased Stock at a heavy loss.

In the same year the question of the renewal of the Bank Charter was discussed. On May 22nd, in the House of Commons a Committee of Secrecy was appointed to inquire into the expediency of the renewal of the Charter and into the system on which banks of issue in England and Wales were conducted. The Committee had the accounts of the Bank laid before them, and they examined the directors of the Bank and others.

On August 11th they delivered their report. In it they stated that there was "more or less information" on the points referred to them for consideration and inquiry, "but on no one of them was it so complete as to justify the Committee in giving a decided opinion." They therefore submitted, as the report states, "the whole evidence which they have taken, with very few exceptions, to the consideration of the House. . . .

The only parts of the evidence which they have thought it necessary to suppress, are those which relate merely to the private interests of individuals." The report concludes with the following testimony to the flourishing condition of the Bank: "Of the ample means of the Bank of England to meet all its engagements, and of the high credit which it has always possessed and which it continues to deserve, no man who reads the evidence taken before this Committee can for a moment doubt; for it appears that, in addition to the surplus rest in the hands of the Bank itself, amounting to £2,880,000, the capital on which interest is paid to the proprietors, and for which the State is debtor to the Bank, amounts to £14,553,000, making no less a sum than £17,433,000 over and above all its liabilities." On May 2nd, 1833, Lord Althorp, the Chancellor of the Exchequer, wrote to the Governor and Deputy Governor, making "proposals for the purpose of renewing the Bank Charter." The following is an epitome of those proposals:

1. To renew the Charter for twenty-one years, reserving power, if the Government should think fit, to give a twelvemonth's notice to the Bank

that the Charter shall expire at the end of eleven years.

2. That no banking company of more than six partners should issue notes payable on demand in London or within sixty-five miles of it.

3. Bank of England notes to be a legal tender except at the Bank of England or its branches.

4. Relates to the usury laws.

5. Accounts of bullion, securities, notes, etc., to be sent in weekly, as a confidential paper, to the Chancellor of the Exchequer; these accounts to be consolidated at the end of each quarter and published in the *Gazette*. A bill to be introduced into Parliament for the regulation of country banks.

In return for the advantages the above propositions were likely to confer upon the Bank, the Government expected "some considerable pecuniary advantages from the Bank in the management of the Government business." The Government to repay 25 per cent. of their debt of £14,500,000, and the Bank to deduct £120,000 annually from their charge for the management of the Government business.

After one or two meetings to consider the matter

the proprietors of the Bank of England agreed to the proposed terms, but in consequence of the opposition of the country bankers Lord Althorp postponed legislation in regard to them; but the other proposals passed into law, embodied in the Act 3 & 4 William IV. c. 98.

CHAPTER XI.

1834–1844.

The War of the Banks—The Act respecting Joint-Stock Banks—Formation of the London and Westminster Bank—J. W. Gilbart—Applications to Committee of Bankers and Bank of England refused—Action brought by Bank of England—Failure of the Governor—Speculation and depression—Banks in difficulties—The Northern and Central Bank—£108,000 left in a cab—Disgraceful disclosures—Large advances—Specie reduced five millions—Forged Exchequer Bills—Mr. Smee's improvements—Light sovereigns—Hoarded notes—The Bank Act—Petitions and deputations—Provisions of the Act—Robbery of Consols.

GREAT companies and corporations possessing exclusive privileges have been very tenacious of what they consider their rights, and have often in defence of them been led into actions of a harsh and sometimes of a petty nature. The relations of the Bank of England with their new rivals, the Joint-Stock Banks, during the first few years of the existence of the latter, were not of an amicable or even justifiable kind.

It appeared to some people to be doubtful whether the establishment of Joint-Stock Banks in

London or within a radius of sixty-five miles thereof was really illegal, as the phraseology of some of the Acts of Parliament was not particularly clear. Mr. H. D. Macleod says, that "The discovery was made in 1822 by Mr. Jopling that the Bank Charter did not prohibit Joint-Stock Banks being formed in London, and carrying on their business on the method adopted by the London bankers." In order to settle the question, a clause was inserted in the Act mentioned at the close of the last chapter. The important part of that clause reads as follows:

"And whereas doubts have arisen as to the construction of the said Acts, and to the extent of such exclusive privilege; and it is expedient that all such doubts should be removed; be it therefore declared and enacted that any body politic or corporate, or society, or company, or partnership, although consisting of more than six persons, may carry on the trade or business of banking in London, or within sixty-five miles thereof, provided that body . . . do not borrow, owe, or take up in England any sum or sums of money on their bills or notes payable on demand, or at any less time than six months from the borrowing thereof, during the continuance of the privileges granted by this Act to the said Governor and Company of the Bank of England."

The doubts that had existed having been allayed,

a committee was formed for the establishment of the first Joint-Stock Bank in London. The Bank was called the London and Westminster Bank, and Mr. John William Gilbart, who was then conducting the business of a bank in Waterford, was invited to be the manager. The committee could not have chosen a better man for that important position. Mr. Gilbart was a man of high intelligence and of good business habits. He was born in London, of Cornish parents, in 1794, and at nineteen years of age he entered a London bank as junior clerk. For some years he belonged to debating societies of which Edward Baines, John Stuart Mill, and Lord Macaulay were members. In 1827 he published his first book, *A Practical Treatise on Banking*, which was followed by several other works. He had had thirteen years' experience of banking in London and six years as manager of Joint-Stock Banks in Ireland when he was elected to his new office.

The success which has attended Joint-Stock Banks in London is greatly due to Mr. Gilbart's energy and perseverance, for he assisted in the formation of other banks also. He had to overcome, and did overcome, the prejudices of the

private bankers and the opposition of the Bank of England.

The engagement of Mr. Gilbart by the London and Westminster was made on October 10th, 1833. On the following day he signed the first allotment of shares. The new bank was opened for business in March, 1834. The directors applied to the committee of private bankers for admission to the clearing-house, and their application was refused. They also applied to be allowed to open a drawing account at the Bank of England, and this too was denied them. They soon had other difficulties to encounter. On May 7th, when their bank had been open only three months, they applied to the House of Commons for powers to sue and to be sued. On their petition being accepted and a bill being introduced to give it effect, the Bank of England petitioned that their counsel might be heard against the proposed measure. Notwithstanding this opposition the bill passed the Commons, but does not appear to have got beyond the first reading in the Lords. Later on the Bank of England gave the London and Westminster Bank notice of their intention to try the question of the power of the latter to accept bills of exchange drawn at a shorter period

than six months. After being tried in the courts of law and equity the case was carried before the House of Lords, who called in the assistance of twelve judges; the decision was in favour of the Bank of England. The law in regard to both the above points has since been altered, and, fortunately, a better feeling now prevails in the banking community, for experience has shown that there is room for all. During the prosperous years from 1833 to 1836 inclusive there was a great increase in the number of Joint-Stock Banks, more than forty having been started in the spring of the last-named year.

In 1834 the private business of Mr. Raikes, the Governor of the Bank, got into difficulties. Out of this fact arose the rumour that the Governor of the Bank had failed, and in consequence there was a panic among the small fundholders. They thought the Bank itself was in danger, and hurried up to town to get their money; the dividend payment of that time was a very crowded one.

During the years 1834 and 1835 there had been a great deal of speculation in loans, in Joint-Stock Banks, and in railways. That was followed in 1836 by a season of depression followed by panic,

during which the Bank had to raise the rate of interest. Two Joint-Stock Banks got into difficulties. The Norwich and Norfolk Bank was a small affair; its business was sold to a new company, the directors paying the balance of loss out of their own pockets. The Northern and Central Bank was formed in January, 1834, with a capital of one million, £710,000 of which was paid up; at the commencement of its career it made large professions and had great apparent prosperity. It had as many as thirty-nine branches. It was the custom of the Bank of England at that time to refuse all bills bearing endorsements of Joint-Stock Banks of issue. Among bills presented to them for discount was some paper of the Northern and Central Bank, which was rejected. In the latter half of 1836 the London agent of the Northern Bank was involved in difficulties, and wrote to the head office, which was in Manchester, for sufficient cash to meet urgent claims. Mr. Evans, the manager at Manchester, came to London on the 28th November, bringing the needful funds. On arriving in London he engaged a cab to convey himself and his bag to an hotel. He entered his hotel in safety, but his bag, which contained £108,000, he left in the cab!

Discovering his mistake almost immediately, he tried to overtake the cab, but failing to do so he communicated with the Mansion House authorities and others, who took steps to recover the property. Mr. Evans feared there would be a run on his bank when the loss became generally known, so he and Mr. Bradley, another official of his bank, applied to the Bank of England for assistance, and had an interview with the Governor. On the receipt of a statement of the affairs of the Northern Bank, the Bank of England agreed to advance £100,000 at once and £400,000 later, on the condition that all the branches except London and Liverpool should be closed. On further examination the statement that had been furnished proved fallacious, and it was found that £600,000 would be insufficient to put the bank straight. The investigation of the affairs of this bank by a Committee of the House of Commons in 1837, disclosed transactions that remind one of the doings of the notorious Liberator Building Society. There were bad bills, a secret ledger kept under lock and key, advances to large amounts had been made to directors, shareholders, and clerks, shares were supposed to have been sold at premiums for the

purpose of increasing the dividend. The directors owed to the bank no less a sum than £290,000, and managers and clerks owed £24,000. The Bank of England secured themselves by entering judgment for one million, which would enable them, if necessary, to enforce their claims on the shareholders. The winding-up of the Northern and Central Bank resulted in a loss to the shareholders of ten shillings in the pound. In 1837 the Bank of England again had to make large advances, in consequence of commercial discredit which followed the panic of the previous year and the difficulties of houses in the American trade. The depression lasted during the two following years. In 1839 the Bank's stock of bullion was reduced nearly five millions in six months. In April it amounted to £7,073,000, but in October it declined to £2,522,000. With the view of stopping the demand for gold the directors gradually raised the rate of interest till, on August 1st, it reached 6 per cent., and they gave notice that they were willing to receive proposals for the sale of the Dead Weight. Finding these measures not sufficiently effective, they obtained a loan of £2,500,000 from the Bank of France. From the 18th October, when

the stock of gold was lowest, the pressure began gradually to subside.

In 1841 it was discovered that a large number of forged Exchequer bills were in the market. The perpetrator was the chief clerk of the issuing office of the Exchequer, and he had issued forged bills to the amount of £800,000 in five years. The Bank had advanced to a Mr. Tomkins the sum of £11,000 on some of these bills. They brought an action for the recovery of the money and obtained a verdict.

In the following year some important alterations in the system of keeping the accounts of the Bank were effected. Mr. William Ray Smee, a clerk in the establishment, had previously, in 1839, made certain alterations in the Cheque Office, that two principals and seven clerks were enabled to do the work better than it had formerly been done by three principals and twenty-one clerks. Also the plan was adopted of not issuing a note a second time. In 1842 he improved the method of the management of the National Debt. This was a task of considerable magnitude, as 600,000 accounts had to be dealt with. The improvement produced a considerable saving of time and money, both to the Bank and the public. Transfers were able to be

made eight or nine days earlier. The work of preparing the dividends, which had formerly occupied thirty-two days, was done by the new system in twenty-three. Mr. Smee was rewarded by being promoted to one of the highest offices—that of Chief Accountant.

1843 brought extra work to the Issue Department. Light sovereigns were called in; four millions of these answered the call, the average loss on each sovereign being $2\frac{3}{4}d$. The Bank Note Office, too, had some rather unusual business during the year. One man sent in fourteen hundred one-pound notes which had been hoarded. Another instance of a mislaid or a hoarded bank-note occurred. A £20 note came in which had been issued a hundred and twenty-five years previously. If that £20 had been left to accumulate at five per cent. interest during all those years, the descendants of the original owner would have been able to claim about £15,000.

The year 1844 is remarkable for the passing of the "Bank Act," by which, in addition to the renewal of the Charter, considerable alterations were made in the regulation of the currency. When the measure was before Parliament there

was a considerable amount of opposition to it throughout the country. The *Bankers' Magazine* for July, 1844, says:

"It is not a mere question between the Bank and the Government. . . . Several meetings have been held in the provinces, at which petitions have been adopted against the Government measure, the principal cause of dissent being the proposal to make the currency fluctuate with the exchanges by limiting the amount of notes hereafter to be allowed in circulation. . . . The opposition" in London and the chief towns has shown itself "by the presentation of petitions, and by deputations to the Minister generally."

A petition against the limitation clause was sent in by the London private bankers. It was signed by Robarts, Curtis, & Co. and twenty-nine other firms, many of whom no longer exist under their original names. Another petition was sent in by the Joint-Stock Banks of the midland counties. It objected to the clauses 13 and 16, which related to the country bank-note circulation. Mr. J. W. Gilbart, Mr. Vincent Stuckey, and others representing the Committee of Deputies of Joint-Stock Banks, had an interview with Sir Robert Peel, and induced him to modify his plan as regarded the country note circulation.

The Bank Act (7 and 8 Vict. c. 32) received

the royal assent by commission on July 19th, and came into operation on August 31st, 1844. Some of the principal provisions of the Act (7 and 8 Vict. c. 32) concerning the Bank are :

The issue of notes were to be made from a department separate from the rest of the Bank, to be called the "Issue Department of the Bank of England."

That the Bank might issue eleven millions on the security of the debt due from the public, and three millions on Exchequer bills and other securities. For any notes beyond the sum of £14,000,000 the Bank must possess bullion in the Issue Department to the value of such extra notes issued.

That all persons might demand of the Issue Department notes in exchange for gold bullion at the price of £3 17*s.* 9*d.* per ounce of standard gold.

That the reduction from the Bank's allowance should be £180,000, instead of £120,000 as formerly; but the former sum included £60,000 as composition for stamp duty on notes, so the sum paid by Government to the Bank remained the same as before, viz., £340 per million on six

hundred millions of the National Debt, and £300 per million on the excess of that sum.

That the Charter should remain in force until the expiration of twelve months' notice, which might be given after August 1st, 1855.

There has been much difference of opinion respecting this Act, the discussion of which has reached almost to the present day.

The following account of a robbery of the Bank and the detection and pursuit of the criminals appeared in periodicals of the time. A gross fraud was committed on September 3rd by William Burgess, a clerk of the Bank of England, in connection with a confederate named Elder. He had been successful in having the large sum of £8200 Consols transferred from the name of its owner, Mr. William Oxenford, and sold out, without the knowledge and consent of that gentleman. Burgess identified Elder as being Mr. Oxenford, and thus obtained the transfer. The culprits absconded to America. In a November number we read that, through the extraordinary sagacity of the two brothers John and Daniel Forrester, police officers, the fraud was defeated. The Forresters were sent to hunt the fugitives.

By pertinacious research they found that the two delinquents had sailed in the *Britannia* for America, on September 4th. On the 19th John Forrester and another Bank clerk, Mr. Bond, armed with warrants, sailed in the *Caledonia*. The fugitives were traced to Halifax, Boston, New York, Buffalo, Canada, and back to Boston, where they had invested £7000 in a Bank and bought land. Elder was seized in his house, and he hanged himself at night in prison. Burgess escaped from an inn which had been surrounded; but the £7000 and 600 sovereigns were secured. Burgess was afterwards captured, brought to London, and put on his trial.

CHAPTER XII.

1845–1854.

Alteration of Rate objected to—Speculation and Panic—Railway Mania—Opinions on effect of the Bank Act—Committees of the Lords and the Commons—Causes of the Crisis—Bank Act Suspended—Bank Rate eight per cent.—Letter from the Government—Reply of the Bank—Suspension Removed—Reports of the Committees—Four o'clock Closing—Building Improvements—Splitting Notes—A Stolen Note cashed—Penalties paid by Clerks—New plan for Holidays—Bank Clerks' Library—Mr. Gladstone's Conversion Bill—Discussion of Charter—Notice to open the Bank at Ten o'clock—Objections of Private Bankers.

IT has been suggested that the directors of the Bank acted as if they considered the Bank Act had relieved them of some responsibility in regard to the currency. In November they commenced to reduce the rate of interest, and their policy caused some adverse criticism. In January, 1845, they issued a notice fixing the rate for three months to come at $2\frac{1}{2}$ per cent. *The Times* said this was "a more complete departure than any of the former acts of the directors from their previous character of the regulators of the

currency." Others said the Bank altered the rate in order "to compete with the large discount houses." "The rate was lowered to enable the Bank to outbid its rivals in business . . . Bankers are powerless; they are bound to follow when the Leviathan commands."

The years 1845, 6, and 7 were years of over-speculation, pressure, and panic, leading to a suspension of the "Bank Act" so recently passed. The Act has been three times suspended; the second time was ten years later, viz., in 1857, and the third in 1866.

The increased facilities for credit and the low rate of interest occasioned for some time over-trading in many branches of commerce. There had been considerable speculation, and numerous failures in the corn trade; but the most extensive operations were in railways. The speculation and excitement reached such heights that the period has been designated as that of the "railway mania," and 1845 was the commencement of that period. The country was overrun with surveyors, engineers, and their assistants, preparatory to the planning of new lines and the formation of new companies. The weekly railway journals made arrangements to

publish their papers twice a week, in order to satisfy the craving for railway intelligence. The proposed railways which had not received parliamentary sanction amounted to six hundred in number in September, 1845, and the capital proposed to be raised for them amounted to £400,000,000.

About this time there was a discussion in the press as to the effect of the late Bank Act on the railway speculation. The opinion of *The Times* was favourable to the Act, but the contrary was maintained by *The Economist* and *The Atlas.*

On November 6th the Bank rate was raised to 3½ per cent., and this had the effect of stopping some speculation.

When Parliament met at the latter end of 1847, committees were appointed by both Houses to "inquire into the causes of the distress which has for some time prevailed among the commercial classes; and how far it has been affected by the laws for regulating the issue of bank-notes, payable on demand." The report of the Lords' Committee attributes the panic to "the unprecedented extent of speculation," which had occasioned overtrading. "This was more especially felt in railroads, for which calls to a large amount

were daily becoming payable, without corresponding funds to meet them, except by the withdrawal of capital from other pursuits and investments."

Before the same Committee, the Governor of the Bank brought in evidence the failures of corn speculators, and of an "eminent discount broker having a large country connection," and he continued, "Credit became affected by these failures, and several London firms of high standing also failed. Then followed in rapid succession the failure of the Royal Bank of Liverpool, the Liverpool Banking Company, the North and South Wales Banking Company, some private country banks, and the Union Bank of Newcastle, followed by a tremendous run upon the Northumberland and Durham District Bank. To these disasters succeeded alarm, and an almost total prostration of credit. The London bankers and discount brokers refused to grant the usual accommodation to their customers, and necessarily obliged everyone requiring assistance to resort to the Bank of England. Money was hoarded to a considerable extent; so much so, that, notwithstanding the notes and coin issued to the public, in October it exceeded by £4,000,000 or £5,000,000 the amount with the public in

August; still the general complaint was of a scarcity of money. Credit was so entirely destroyed that houses trading to distant countries, carrying on their business by means of credit by a renewal of their acceptances as they became due, were no longer able to meet their engagements, and were forced to stop payment. This was the state of things previous to the issuing of the Government letter in October."

The letter alluded to is the one below, from Lord John Russell, the Prime Minister, and Sir Charles Wood, the Chancellor of the Exchequer:

"DOWNING STREET, *Oct. 25th*, 1847.

"GENTLEMEN,—Her Majesty's Government have seen with the deepest regret the pressure which has existed for some weeks upon the commercial interests of the country, and that this pressure has been aggravated by a want of that confidence which is necessary for carrying on the ordinary dealings of trade.

"They have been in hopes that the check given to dealings of a speculative character, the transfer of capital from other countries, the influx of bullion, and a feeling which the knowledge of these circumstances might have been expected to produce, would have removed the prevailing distrust.

"They were encouraged in this expectation by the speedy cessation of a similar state of feeling in the month of April last.

"These hopes have, however, been disappointed, and Her Majesty's Government have come to the conclusion that the time has arrived when they ought to attempt, by some extraordinary and temporary measure, to restore confidence to the mercantile and manufacturing community.

"For this purpose, they recommend to the directors of the Bank of England in the present emergency to enlarge the amount of their discounts and advances upon approved security; but that in order to retain this operation within reasonable limits a high rate of interest should be charged.

"In present circumstances they would suggest that the rate of interest should not be less than 8 per cent.

"If this course should lead to any infringement of the existing law, Her Majesty's Government will be prepared to propose to Parliament on its meeting a Bill of Indemnity. They will rely upon the discretion of the directors to reduce as soon as possible the amount of their notes if any extraordinary issue should take place within the limits prescribed by law.

"Her Majesty's Government are of opinion that any extra profit derived from this measure should be carried to the account of the public, but the precise mode of doing so must be left to future arrangement.

"Her Majesty's Government are not insensible of the evil of any departure from the law which has placed the currency of this country upon a sound basis; but they feel confident that, in the present circumstances, the measure which they have proposed may be safely adopted, and at the same time the main provisions of that law, and the

vital principle of preserving the convertibility of the bank-note, may be firmly maintained.

"We have the honour to be, Gentlemen,
"Your obedient, humble Servants,
(Signed) "J. RUSSELL.
"CHARLES WOOD.

"The Governor and Deputy Governor
of the Bank of England."

To this letter the Bank sent the following reply:

"BANK OF ENGLAND, *Oct. 25th*, 1847.

"GENTLEMEN,—We have the honour to acknowledge your letter of this day's date, which we have submitted to the Court of Directors, and we enclose a copy of its resolutions thereon.

"We have the honour to be, Gentlemen,
"Your most obedient Servants,
"JAMES MORRIS, Governor.
"H. J. PRESCOTT, Deputy Governor."

At a Court of Directors, at the Bank of England, Monday, October 25th, 1847:

"Resolved—

"1. That this Court do accede to the recommendation contained in the letter from the First Lord of the Treasury and the Chancellor of the Exchequer, dated this day, and addressed to the Governor and Deputy Governor of the Bank of England, which has just been read.

"2. That the minimum rate of discount on bills not having more than ninety-five days to run be 8 per cent.

"That the advances be made on bills of exchange, on stock, Exchequer bills, and other approved securities, in sums of not less than two thousand pounds, and for a period to be fixed by the Governors, at the rate of 8 per cent. per annum."

The Bank had occasion to issue only £400,000 in notes in excess of the limit imposed by the Act of 1844, and confidence was restored. On the 23rd November the Government informed the Bank that as the purpose of their letter of October 25th had been fully answered, it was unnecessary that it should continue any longer in force.

The opinion of the Lords' Committee on the effect of that Act is given in their report, which states that:

"The Committee . . . have come to the conclusion that the recent panic was materially aggravated by the operation of that statute, and by the proceedings of the Bank itself. This effect may be traced, directly, to the Act of 1844, in the legislative restriction imposed on the means of accommodation, whilst a large amount of bullion was held in the coffers of the Bank, and during a time of favourable exchanges; and it may be traced to the same cause, indirectly, as a consequence of great fluctuations in the rate of discount, and of capital previously advanced at an unusually low rate of interest. This course the Bank would hardly have felt itself justified in taking, had not an impression

existed that, by the separation of the issue and the banking departments, one inflexible rule for regulating the Bank issues had been substituted by law in place of the discretion formerly vested in the Bank."

The Committee of the House of Commons delivered a report in favour of the continuance of the Act without alteration—"in opposition to the opinions of by far the majority of the witnesses who were examined."[1] The witnesses who supported the Act maintained that it secured the convertibility of the bank-note.

It had been for some time under consideration whether it would not be desirable and practicable for the banks of the Metropolis to close to the public at four o'clock instead of at five. A great deal of work has to be done after a bank closes its doors to the public before the balance is struck and the clerks can go to their homes. The directors of the Bank of England were favourable to the movement, and were looked to by the other banks to take the lead in the matter; but they deferred coming to a decision till they knew how the alteration would suit the public generally. In 1847 they received a memorial from merchants and others

[1] GILBART'S *History*, etc.

favourable to such an alteration, so the directors issued a notice that on the 1st May, 1848, the Bank would be closed for "counter business" at four o'clock instead of at five as before. All the City bankers and Joint-Stock Banks and most of the West-end bankers agreed to close at four likewise,

EAST FACADE.

but some of the West-end bankers held out for the old hours for a time. Soon after, however, the banking-houses of Coutts, Strahan, Ransom, Herries, and Bouverie, decided that they would close at four on and after the 2nd October.

1848 was a year of revolutions on the Continent,

and a fear of revolution, or at least serious riots, in this country. It was the year of the Chartist riots, when special constables were sworn in for the protection of life and property in the City, when no one knew what to expect next, and when nothing particular happened after all. However, the alarms

BULLION COURT.

had some substantial effect in the structural alterations that were being made in the Bank buildings. A parapet wall was raised all round above the cornice, partly in order to make the appearance of the edifice more in accordance with the surrounding buildings, and partly to afford cover to the

forces engaged in defending the Bank against any attack that might be made upon it. In the following year the Private Drawing Office was built. It is a fine hall, about 138 feet in length, 46 in depth, and 45 feet in height, lit by windows in the north wall, looking on to the garden, and by dome skylights in the roof.

In 1848 Mr. W. Baldwin, a print-mounter and cleaner, called at the Bank, at the request of the directors, and showed them by demonstration that he could split a bank-note into two pieces. It was stated at the time that the process was already known at the Bank, and that no inconvenience was expected to result from it.

At the close of the year some persons blamed the directors for acting in a harsh and unjustifiable manner to some of their clerks, who were more or less concerned in the payment of a stolen and stopped note.

The circumstances were as follow: About two years previously a clerk returning from Jones, Lloyd and Co.'s Banking-house, where he had received cash for his "charge," missed his case, containing £1700, when he reached the Lothbury gate of the Bank. One day in December, 1848, a person

presented one of the missing notes, £1000, at the counter, and asked for two £500 notes in exchange. The number of the stolen notes had been cleverly altered by a 6 having been altered to a 0. The clerk who received it referred to his "stop" card, and, not finding the number there, passed the note on to the pay clerk. The person who presented the note then went to another clerk, received a thousand sovereigns in exchange for the two £500 notes, and departed with the plunder. The directors decreed that the loss should be made good in the following manner: The clerk who marked the note for payment to pay £300, because he failed to detect the alteration in the number; the inspector who handed the note to the cashier to pay £150, probably for the same reason; the clerk who gave gold for the two £500 notes to pay £100, because, believing the person presenting the note to be a banker's clerk, he did not refer to his superior; the clerk who had accepted "James Street" written on the note as a sufficient description, to pay £100; and the clerk who had lost the note to pay £350.

Clerks' holidays, which up to that time appear to have been somewhat irregular, were, in 1849 organized into a better system. The directors then

made arrangements that all persons in the employ of the Governor and Company should be allowed annual leave of absence, from nine days to three weeks, according to length of service. The lists of leave were divided into four parts, each part containing the names of those who were to go on leave after each dividend payment, when the work gets slacker. A clerk whose name would be down to go in the April quarter one year, would be down in June quarter the following year, and so on; so that no one had an unfair advantage over another, and each would be able to take his holiday in the best season in his turn. This system has worked very well up to the present time, but the length of the leave granted has been increased more than once since the system was first established.

Another occasion on which the liberality of the management was manifested was the establishment of the Bank of England Library and Literary Institution. The formation of the library was sanctioned and promoted by the directors. A gentleman of the Bank wrote to a journal in 1850: "We have succeeded, so far, beyond our most sanguine expectations; our subscription list numbers 560 members, nineteen of whom subscribed for

life £4. The directors voted £500, and several individual members of the Court have made most magnificent donations. A draft for £100 was handed in by one of them." The directors also set apart three rooms for the use of the institution, and many volumes of valuable works were presented.

Any conversion of Government Stocks to a lower rate of interest causes a vast amount of work to the managers of the National Debt; it follows that Mr. Gladstone's bill of 1853 brought a busy time to the staff of the Bank. That eminent financier considered that the rapid development of the wonderful resources of Australia and California, the general prosperity of trade, and the lengthened maintenance of Consols above par, warranted him in reducing the interest on South Sea Annuities and other minor Stocks to the amount of £9,500,000, and on Consols and Reduced to the amount of £30,000,000. The bill received the royal assent on the 9th May, and on the 10th the necessary books were opened at the Bank.

During the year 1854 the periodical discussion in the press on the approaching renewal of the Bank Charter was revived. The term of the

Charter would expire on August 1st in the following year.

On the 9th January the directors issued a notice to the effect that from the 1st March the business of the establishment would commence at ten instead of nine o'clock. The Joint-Stock Banks were favourable to that arrangement, but the private bankers objected, and the order was rescinded after a correspondence between the Bank of England and the Committee of Private Bankers.

On the 23rd February, Mr. J. G. Hubbard, the Governor, acknowledged the receipt of a memorandum of the objections of the bankers, which concluded with an expression of their "earnest hope that they"—the Bank of England —"would not carry the same into effect." The memorandum was signed—

Barclay, Bevan, Tritton & Co.
Prescott, Grote & Co.
Glyn, Mills & Co.
Jones, Lloyd & Co.
Barnett, Hoare & Co.
Dimsdale, Drewett & Co.
Hankey & Co.
Robarts, Curtis & Co.

In his reply, Mr. Hubbard said that if the bankers "should modify their present objections, the Bank would gladly entertain any proposition they may offer."

LOTHBURY FACADE.

CHAPTER XIII.

1855–1856.

A New Bank-Note—Increase of Note Circulation—The Crimean War Loan—Monetary Crisis—Sowing Seeds of Discredit—Fictitious Warrants—Careers of J. W. Cole, of Maltby, of Davidson and Gordon—Overend, Gurney & Co. and the Sham Warrants—Evidence of D. B. Chapman and his Clerk—Opinion of the Public—A Series of Frauds—Strahan, Paul, & Bates—Arrest of the Bankrupts—Escape and Surrender of Paul—Suicide of James Sadleir—His Crimes—Remorse—Robson and Redpath—The Royal British Bank—London and Eastern Banking Corporation—Western Branch Opened.

ON the 1st January, 1855, a new and improved bank-note was issued. Some of the alterations in the note consisted in the superior quality of the paper, an improved watermark, a new engraving of Britannia, and the substitution of the words, "I promise to pay to bearer on demand," instead of "I promise to pay Matthew Marshall or bearer." The notes were printed by a steam press by Napier, which struck them off at the rate of three thousand per hour.

Mr. Alfred Smee, the Bank doctor and the author

of many medical and scientific works, read a paper to the Society of Arts, giving a description of the note and the process of its manufacture. In that paper, according to a report of this address which appeared in the *Bankers' Magazine*, Mr. Smee gave many curious details of the extreme care taken to protect the public from forgeries, "by preventing a single sheet of paper from being possibly abstracted, from the formation of pulp at the Bank paper mills of Mr. Portal, to the final destruction of the notes." In the following pages it will be shown how, in spite of "extreme care" and every precaution which foresight can suggest, thefts occur again and again in the banking world. The reader will see shortly that not merely "a single sheet" was taken, but a wholesale robbery of Bank paper occurred at Messrs. Portal's mills.

In accordance with the Act of 1844, the bank-note circulation was this year increased. At the Court of Windsor, on the 7th December, the royal authority was given to the Bank to issue the additional sum of £475,000 in notes, being about two-thirds of the £712,623 country bank-note circulation which had been extinguished since the year 1844.

The Crimean War was now drawing to a close. Notwithstanding two severe repulses our troops had received, the balance of victory was on the side of the allies. General Mouravieff had sustained a sanguinary defeat before the town of Kars. On September 8th, after a furious bombardment of three days, the assault of Sebastopol was made in five places by the allied forces. The French attack on the Malakhoff fort was completely successful, and the Russians prepared to evacuate the town. This war added sixteen millions to the National Debt. The Government proposed to issue a loan for £16,000,000, and negotiations were opened for that purpose at a meeting held at the Treasury on April 16th, when the Governor and Deputy Governor of the Bank of England met Lord Palmerston, Baron Rothschild, and a number of capitalists in conference on the subject.

In October there was a monetary crisis, and the Bank rate rose to 7 per cent., but what occurred was not at all comparable to the last panic of 1847, or to those following in 1857 and 1866. However, the seeds of future commercial crises had been, and were being, sown about this time in the low tone of morality

which was prevalent in some financial circles. One of the principal symptoms of panic is want of confidence in the stability of banking and mercantile firms, and the prevalence of great dishonesty in commercial affairs must be reckoned as one of the factors which undermine that confidence. The end of the forties and the beginning of the fifties was a period of "high art" in crime, when men of education, of good position, and of religious profession, like Sadleir, Redpath, Sir John Dean Paul, and others, committed robberies of great magnitude. The following examples may be given: Mr. Laing, who was one of Cole's—and, we may add, of Overend, Gurney, & Co.'s—victims, has given a graphic account of the malpractices of Cole, Davidson, and Gordon, in a pamphlet from which some of the following particulars are drawn.[1]

John Windle Cole and Charles Maltby were clerks in the well-known house of Forbes, Forbes, and Co., of 9, King William Street. About the year 1845 Cole was summarily dismissed. In 1846 he and a man named Johnson entered into business on their own account, and in less than two years they failed for £153,000, with assets

[1] *The Great City Frauds*, by SETON LAING.

of something like 4*d.* in the pound. Johnson asserted that his partner had acted dishonestly while he was away in India. In 1848 Cole started again in business in Birchin Lane, Cornhill, as Cole Brothers, the brothers, Francis and James, being in reality merely his clerks. Now Cole deliberately carried out the plans he had formed for raising money on counterfeit dock-warrants. He rented a shed and an office on either side of the entrance to Hagen's Wharf, Bermondsey (Hagen's Wharf being in the occupation of Thomas Groves & Sons), and into these small premises he put his late fellow-clerk Maltby to act as his tool. He had plates engraved and warrants printed in imitation of the warrants issued by Messrs. Groves, and caused them to be signed "Maltby & Co., Wharfingers," and by these and other artful means he got numerous counterfeit warrants, mixed with a few genuine ones, accepted as security for advances of large sums of money. Many of these sham warrants were negotiated with Davidson and Gordon, and by them were given as security for loans to Overend, Gurney, & Co.

Davidson and Gordon, besides being mixed up with Cole's swindles, had committed frauds in con-

nection with a distillery they owned at West Ham, Essex. The collapse of these fraudulent firms commenced by the failure of Davidson and Gordon in June, 1854. "On the 19th of that month," wrote Mr. Laing, "the City of London was startled by the intelligence which met every merchant on 'Change, that the house of Davidson and Gordon, whose transactions were known to be of enormous extent, had failed, and that the principals had absconded two days previously."

In consequence of the above failure, Cole was compelled to stop payment on the 27th of the same month. Maltby fled to Ostend, but through the exertions of Messrs. Laing and Campbell he was expelled from Belgium, returned to England, was arrested at Brentwood in Essex, was confined to Newgate prison, and a week afterwards was found dead in his cell. Cole also intended to flee from the country, but was prevented. On July 19th, the detective, Daniel Forrester, and a man who knew Cole by sight, waited outside the office in Birchin Lane for three hours. At last, at eight o'clock in the evening, Cole came out, and was immediately arrested. He had in his possession £350 in money, and also eighteen

warrants representing goods to the value of £30,000. Two of these were genuine, and the remaining sixteen were fictitious. On October 25th he was tried at the Old Bailey, found guilty, and sentenced to four years' penal servitude.

Davidson and Gordon's course was drawing to a close in the early part of 1854. They owed £500,000, besides Excise duties. In June they gave the Excise officer a cheque (which was afterwards dishonoured), delivered spirits, raised all the money they could, and then bolted to the Continent. They were tracked by the agents of their creditors through Germany, Switzerland, and Italy to Naples, at which city they were arrested through the intervention of Lord Clarendon, and they were brought to London, where they arrived ten months after leaving this country.

Somebody has said, according to Charles Dickens, "The law is an ass." Its course on this occasion very nearly went to prove the truth of that assertion. Although the guilt of these gentry was notorious, they were tried twice for some of the offences they had committed, and twice they were acquitted on technical grounds. The third trial was more successful. They were at last

found guilty, and sentenced to two years' penal servitude.

These robberies had been going on for three years or more. In 1851 they very nearly came to an end through irregularities that were discovered in regard to the warrants, and they would have ended seven months earlier than they actually did, if persons of high standing in the City had done their duty. When at last they were discovered the revelation of these nefarious practices was a blow to mercantile credit in the City, and the feeling of distrust was intensified when it became known that the eminent firm of Overend, Gurney, & Co. had been concealing a felony to enable themselves, as was supposed, to recover the whole or a portion of the large sum of money they had lost. At the end of June, 1853, Cole was indebted to them to the extent of £207,630 for loans and interest. In October of that year they knew they had been imposed upon by means of fictitious warrants, yet they hushed the matter up for seven months, during which time Laing and Campbell, Barnett, Hoare, and Co., and others lost large sums of money in dealing with rogues who ought to have been handed over to

the legal authorities months before. The fact that although Overend, Gurney & Co. knew Cole, Davidson, and Gordon to be thieves they did not expose them, but continued on business relations with them, became known to the public on the examination of the prisoners before the magistrate on May 17th, 1853. In giving his evidence Mr. David Barclay Chapman said, "I am a member of the firm of Overend, Gurney & Co. . . . The warrants we hold represent goods to the amount of £80,000. . . . We discovered these warrants were fictitious in October, 1853. I saw Gordon at our house in Lombard Street in the presence of Mr. Cole. We had previously made the discovery that the warrants were not genuine. . . . I had sent the broker to examine the copper and spelter." Mr. Chapman's memory was very deficient as to what had been said at that meeting. Mr. Bois, Overend's clerk, was present at the interview, and he seemed to remember more about it. He said, "The purport of the interview was to know why the prisoners had acted in that way, by giving so many fictitious warrants, and *they were also asked what they could give to make up the deficiency.* Gordon represented the distillery at West Ham

to be a very valuable property, and if he was allowed time he could work it out. The real value of the distillery was discussed, and it was arranged to be made available to Overend, Gurney & Co. in a general way, by *paying them out of the profits.*" Again at the trial in the Central Criminal Court on the 21st and 22nd December Mr. Chapman said, "We had to consider the subject in all its bearings, and *we determined to remain perfectly passive.* Without coming to any understanding of any kind or description with either Cole or Gordon, we did remain perfectly passive." Perfectly passive! while the thieves were allowed to swindle right and left!!

The public and the press of course expressed their opinions of this behaviour. *The Economist* of June 3rd, 1855, said:

"Messrs. Overend, Gurney & Co. kept up the value of these fictitious warrants in the market—whether or not with the intention of covering some part of their own losses we say not—after they knew them to be fictitious, and are therefore morally and commercially, if not legally, responsible for all the mischief and all the fraud perpetrated by means of these warrants after October, 1853."

The Daily News of June 22nd said:

"It is with deep regret we find it admitted that individuals who have had forged dock-warrants placed in their hands as securities have compromised and hushed up the matter on a prospect being held out to them of recovering the money advanced. If any cabman detected in uttering a bad half-crown were to allege that indeed he knew it to be bad, but that having taken it unawares he thought to save himself from loss by passing it off upon a customer, would any magistrate listen to his plea? Now we confess that the person who allows the forger of a dock-warrant to escape on obtaining indemnity appears to us to differ from our supposititious cabman only on account of the greater magnitude and mischief of the fraud at which he connives."

Is there any connection between these events and those which subsequently occurred? The moralist may say that when people of good reputation depart from the path of strict rectitude and honour they show symptoms of decay; the historian has simply to present an impartial review of facts. Twelve years after the above trial and disclosures the great house of Overend, Gurney & Co. fell with a crash, the results of which are felt almost to the present day.

One of the celebrated trials of modern times was that of Messrs. Strahan, Paul, & Bates, which took

place at the Central Criminal Court, October 26th, 1855.[1] These three gentlemen were among the last anyone would have suspected of being guilty of so far abusing the trust reposed in them as to embezzle their customers' money. As a firm Strahan's was one of the oldest and most respected of the private banks of London. The firm was originally Snow & Co., and had been established two hundred years; the place of business was in the Strand, near Temple Bar. So far as was known to the public the individual partners bore excellent characters; they were men beyond middle age; at the trial their names and ages were stated to be: William Strahan, aged 47; Sir John Dean Paul, aged 52; and Robert Makin Bates, aged 64. Sir John Dean Paul, Bart., was a man of great piety: there was scarcely a society belonging to the Evangelical section of the Church of England in which he did not hold some such office as treasurer or trustee, and as a natural consequence these societies kept their money in his bank. Mr. Strahan was equally esteemed in his social circle,

[1] The particulars of Strahan & Co.'s misdeeds and of the remaining fraudulent transactions given in this chapter are derived from a volume entitled *Facts, Failures, and Frauds*, by D. Morier Evans.

and "down even to a week or two before the failure of the house and the discovery of the frauds, to breathe a word of suspicion against his honesty would have been thought as unreasonable as to dispute the credit of the Bank of England." These two gentlemen inherited considerable private property; but not so Mr. Bates. He had been for many years the confidential managing-clerk of the firm, and on the retirement of a Mr. Snow in 1841, he was taken into partnership.

The causes of insolvency, to which state the firm had sunk in 1849, were various. The partners had been long in the habit of borrowing from the till for their personal wants, and they afterwards got involved in the Mostyn collieries to the extent of about £140,000, and with a firm of contractors to the amount of between £300,000 and £400,000. If they had closed their doors then they would have been bankrupts, but they need not have been felons. Instead of taking the only honourable course, they tried to tide over their difficulties first by raising money on their customers' securities, and afterwards by selling them. Their constant visits to the discount houses, and the large interest they offered above market rates, led to suspicion,

and on June 8th, 1855, a run set in which almost drained them of cash, and on Monday, the 11th, their failure was announced to the public. A week afterwards warrants were granted by the Bow Street magistrate against all three partners, for having unlawfully disposed of securities to the value of £22,000 belonging to the Rev. Dr. Griffiths, of Rochester. Strahan and Bates were arrested without difficulty; but it appeared that Sir John Paul planned an escape, but afterwards gave up the idea. The circumstances, which were very unusual, were these. After arresting Mr. Bates in Norfolk Street, Strand, the officers started the same evening to the beautiful neighbourhood of Nutfield, near Reigate, where Sir John Dean Paul resided. They found the baronet at home; but as it was too late to return to London that night they allowed their prisoner to go to bed and arranged to take him to town the next morning.

The following day they conducted him to Reigate station, arriving barely in time for the train. In fact, the train was moving when Sir John took his seat in a second-class carriage. The officers were in the act of following him, when a railway porter pulled them back, exclaiming, "The train is in

motion, and you can't get in," and closed the door. They immediately appealed to the superintendent, who refused to signal the train to stop, but consented to wire a message to the London terminus. The officers went on by the next train, which arrived in town only ten minutes after the one they had missed. On inquiring of the station-master at London Bridge if their prisoner had been detained, they were informed that he "did not know Sir John by sight, and of course, therefore, had taken no steps in the matter." Search was made in vain for the escaped prisoner, but no trace of him could be found. However, at eight o'clock the following evening, Sir John surrendered himself at Bow Street police station, and stated that he "had no wish or intention to deceive the officers," and that his impression when he entered the train was that they were following in an adjoining carriage. The trial, as above stated, took place on the 26th October, the result being that all three prisoners were sentenced to "be severally transported for the term of fourteen years." Mr. Bates was thought to be the least culpable, and through the exertions of his friends he was released at the end of three years.

Great sensation prevailed in the Metropolis on a

Monday morning about the middle of February, 1856, by the announcement that the dead body of Mr. John Sadleir, M.P., formerly a Junior Lord of the Treasury and Chairman of the London and County Bank, had been found on the previous morning at the back of "Jack Straw's Castle," on Hampstead Heath. He had taken a dose of essential oil of almonds. At the inquest a verdict of *felo de se* was returned. Mr. Sadleir was only forty-two years of age when, by this rash act, he put an end to what had appeared to be a brilliant and hopeful career.

The cause of his suicide was not long in being discovered. His life for years had been one of wholesale fraud and forgery. He had forged title-deeds in connection with the Irish Encumbered Estates, he had manufactured a large number of fictitious shares, and had circulated a quantity of worthless bills, the acceptances to which he had got signed by his needy fellow-countrymen. He was a partner with his brother James in the Tipperary Bank. Mr. Morier Evans thus sums up his misdeeds:

"The amount of misery which he caused is almost incalculable. In the Tipperary Bank, numbers of his poorer fellow-countrymen had been induced, by specious represen-

tations of prosperity and false accounts, to embark their all. Not three weeks before his death, he had, in conjunction with his brother James, issued a report and balance-sheet, representing the bank to be in the most flourishing condition, and declaring a dividend of six per cent., with an additional bonus of three per cent. Upon the faith of these periodical statements, numbers of farmers, tradesmen, half-pay officers, and others in a similar condition, became shareholders, and were, in consequence, utterly ruined. From this establishment alone, John Sadleir had, with the connivance of his brother, contrived to abstract £200,000; and the total defalcations of the bank, when it suspended payment, amounted to £400,000. As chairman of the Royal Swedish Railway Company, he had issued false shares to the nominal extent of £150,000, the whole proceeds of which he appropriated. What he obtained from other sources will probably never be accurately ascertained, but the aggregate must be something enormous."

No wonder, after such a record of crime, when he knew one of his forged deeds was sent to Dublin to be examined, and he saw his game was up, that his pangs of conscience forced him to write the following letter (which was read at the adjourned inquest) on the night of his self-murder:

"Saturday night.

"I cannot live—I have ruined too many—I could not live to see their agony—I have committed diabolical crimes unknown to any human being. They will now appear,

bringing my family and others to distress—causing to all shame and grief that they should have ever known me.

"I blame no one, but attribute all to my own infamous villainy. —— and hundreds of others ruined by my villainy. I could go through any torture as a punishment for my crimes, but I cannot live to *see* the tortures I inflict upon others.

"J. SADLEIR.

"Telegraph to ——, and otherwise when you read this."

The list of the great frauds of this year has not yet come to an end. In the middle of September the crimes of Robson were discovered, and two months later those of Redpath were found out. Robson was well known in the theatrical world as the lessee of the Theatre Royal, Marylebone, and the author of a "moral" play of some literary merit, entitled, *Love and Loyalty*. He robbed his employers, the Crystal Palace Company, of some £27,000 by the forgery of shares. Redpath, whom "the world regarded as a bland, easy, affable Christian gentleman, as remarkable for his good taste as he was for his benevolence," by forging transfers of the Great Northern Railway Company's stock, appropriated to his own use, according to Mr. Justice Willes, some £40,000 or £50,000 of "tangible property" belonging to that company.

The Royal British Bank started professedly on the "Scotch system" of banking in 1850, and from that year till September 3rd, 1856, when its doors were closed, its whole career was one long course of swindling and issuing false balance-sheets. The directors were put on their trial, which lasted thirteen days, on February 13th, 1858. They were found guilty, and received light sentences of imprisonment of from three months to one year.

The last frauds of this period we have to record are those which were carried on by Colonel Waugh, a director, and Mr. J. E. Stephens, the manager of the London and Eastern Banking Corporation. The bank was opened in January, 1855, and was closed early in the year 1857. The Colonel escaped punishment by taking refuge in Spain; and Stephens, after failing to get whitewashed in the Edinburgh Bankruptcy Court, joined him in his exile. In about twenty-six months Colonel Waugh had, without giving any available security, possessed himself of £244,000, which was within £6000 of the entire subscribed capital of the bank. When it is remembered that these fraudulent transactions —most of them in connection with banking—were all being carried on during the same year (although

they were commenced at various periods), it must be admitted that there seemed to be an epidemic of dishonesty, which reached its climax in 1856, and doubtless those frauds had a share, perhaps a large one, in bringing about the disastrous panic of 1857, which resulted in the Bank of England having again to suspend cash payments.

After the failure of Strahan, Paul, & Bates, it appeared that more banking accommodation was needed at the West End. Several Joint-Stock Banks opened branches there, and the Bank of England western branch was opened in Burlington Gardens.

CHAPTER XIV.

1857–1863

Committee on the Bank Charter Act—Increase of deposits—Discount brokers and overtrading—The crisis of 1857—Its causes—Failures in America, Liverpool, and Scotland—Remarks of *The Times*—Action of the Bank—Great drain of gold—Letter of the Government—Reply of the Bank—Disasters of the crisis—The Bank and the bill brokers—Another panic—Negotiation with the Bank of France — Reduction of Government allowance — Clerks in difficulties—Petition on the currency—The Great Exhibition—Robbery from Portal's Mills—Trial and sentences.

A COMMITTEE of the House of Commons which had been appointed to investigate the working of the Bank Charter Act, terminated its labours in August, 1857, and some valuable information had been collected. The deposits in Joint-Stock Banks throughout the country had greatly increased. The amount of deposits in the Joint-Stock Banks in London alone, which in 1847 was £8,850,000, had risen in 1857 to £43,100,000. These deposits, with others, which flowed to London from all parts of the country, were employed either by the

bankers themselves in discounting bills for their customers, or by bill brokers, who obtain the money from the bankers. It was felt that there was some danger in this practice in times of excessive speculation. Mr. Neave stated before the Committee that to the knowledge of the directors of the Bank of England one broker had three and a half millions, another four millions, a third five millions, a fourth eight millions, and there was reason to believe that a fifth had between eight and ten millions. In the following year, as will be shown presently, the Bank took such action in the matter as they considered necessary to lessen the evil.

The panic of this year came suddenly, but the causes which led up to it were various, and may be traced back for some time previously. *The Morning Herald*, in reviewing the period of the crisis, said:

"The extraordinary frauds and the singular operations which have been traced in connection with trade exhibit a loose system of business. . . . The discovery at this period of the liquidation of the London and Eastern Banking Company, and the features which the management exhibited, caused considerable consternation."

In the early part of the summer a feeling of horror and alarm spread throughout the kingdom on the arrival of the news of the insurrection of our Sepoy troops in India, and the massacre of British women and children. This news had a bad effect on the money market, and that effect was heightened by the failure of remittances from India, and the demand for specie for the Government and the East India Company.

If one cause of the crisis came from the East, another, and more immediate one, came from the West. There had been a great deal of overtrading in America, and also a combination of persons "bearing" the Stock market, and for some months previous to the tide of discredit crossing to England a series of failures had commenced on the other side of the Atlantic. The number of failures that took place in the United States and Canada during the crisis was estimated at 5123, and the aggregate amount of liability at $291,800,000. In time the distrust reached England, and houses began to fail in Liverpool and Glasgow. The Liverpool Borough Bank had to close its doors, which gave a heavy blow to confidence. Dennistoun & Co., of Liverpool, failed with liabilities of two millions, and soon

after, early in November, the Western Bank of Scotland and the City of Glasgow Bank failed for some six or seven millions. There now appeared to be a cessation of reliance on the stability of any mercantile houses. The last blow to confidence was the failure of the London discount firm of Sanderson and Co. for over five millions. *The Times* in its annual summary makes the following concise statement in regard to these failures:

"Our relations with America, though far more important, have affected domestic and not diplomatic interests. In the course of the summer it transpired that the railroads in the United States were universally embarrassed by the disproportionate magnitude of their debenture debts. When the companies began to suspend payment of their obligations, the overloaded fabric of commercial credit at once tottered and gave way. The banks, which had satisfied the requirements of a certain school of economists by a nominally convertible issue, ceased to give gold in exchange for their notes. Mercantile firms of the highest reputation broke in rapid succession, and all remittances to foreign creditors were simultaneously suspended. The rhetorical statement that the subsequent crisis in England was caused by the bankruptcy of a nation is rather coloured than exaggerated. The annual balance of trade between the two countries leaves a debt due from England, but the cotton crop of the year has not yet been received, and American securities to a large amount are always held by English capitalists.

"When the news of the catastrophe arrived it was hoped that a high rate of discount would prove a sufficient precaution against the consequences which were apprehended; but on this side the Atlantic, as well as in the United States, an edifice of credit had been erected altogether disproportioned to the foundations on which it rested. Some great American houses yielded to an unavoidable pressure, but a large proportion of the firms which have failed had carried on their operations with the capital of their creditors. Whatever may be the case with ordinary traders, no honest and prudent banker can break. The delinquent establishments at Liverpool and at Glasgow were unable to meet their liabilities because the property of the depositors and shareholders had been squandered on reckless speculators. The scandalous proceedings which followed the stoppage of the Western Bank of Scotland will long be remembered. Auditors were found to certify the existence of a surplus of two millions, which has since resolved itself into a large deficiency. The landed aristocracy of the neighbourhood joined in the protest against suspicion or investigation, and a deputation was appointed to solicit assistance from the public purse.

"The Scotch failures, coinciding with a temporary Irish panic, produced a sudden demand for gold from London."

While these events were transpiring the directors of the Bank were not reclining on a bed of roses. Their stock of bullion was reduced by the requirements of France and the remittances to Scotland and Ireland, as well as to America and the East.

The rate of discount had been reduced in the month of July to 5½ per cent., but when the pressure came the rate rapidly rose. On the 8th of October it was raised to 6 per cent., soon afterwards to 7 per cent., on the 19th to 8, and subsequently to 10 per cent. At the same time that gold was being withdrawn in so many directions the Bank were discounting bills in the same proportion, as the demand for accommodation was very great. On the 12th November the discounts amounted to £2,373,000. How severely the resources of the Bank were strained is demonstrated by the fact that, as Mr. Michie has stated, although the sum due on the evening of the 13th to the bankers alone was £5,458,000, the Bank reserve amounted to only £580,751, £384,144 of that sum being in the head office in Threadneedle Street, and £196,607 in the branches. So it appears that unless the Bank Act had been suspended there was no other course left open to the Bank but to stop payment.

Suggestions had been made for the intervention of the Government when the panic was reaching its height, and rumours were afloat that the Government would then intervene, but it was not until the last moment that the much-needed relief was afforded.

On the 12th the Prime Minister and the Chancellor of the Exchequer wrote a letter to the Bank, a portion of which is subjoined:

"Downing Street, 12*th November*, 1857.

"Gentlemen,—Her Majesty's Government have observed with great concern the serious consequences which have ensued from the recent failures of certain Joint-Stock Banks in England and Scotland, as well as certain large mercantile firms chiefly connected with the American trade."

The letter afterwards proceeds "to inform the Bank of England that if they should be unable in the present emergency to meet the demands for discounts and advances upon approved securities without exceeding the limits of their circulation prescribed by the Act of 1844, the Government will be prepared to propose to Parliament upon its meeting a Bill of Indemnity for any excess so issued." After some remarks on the rate of discount, the appropriation of the profit, and the importance of "maintaining the letter of the law," the letter thus concludes:

"They (H.M. Government) rely upon the discretion and prudence of the directors for confining its operation within the strict limits of the exigencies of the case."

"We have, etc., (Signed) "Palmerston.
"G. C. Lewis.

"To the Governor and Deputy Governor of the Bank of England."

In reply to the above letter the Governors sent to the Government the following resolution of the Court:

"At a Court of Directors held at the Bank on the 13th November, 1857, resolved:

"That the Governors be requested to inform the First Lord of the Treasury and the Chancellor of the Exchequer that the Court is prepared to act in conformity with the letter addressed to them yesterday.

(Signed) "JOHN BENTLEY, Secretary."

Acting under the authority now granted to the directors, they issued such an extra amount of notes as was necessary to meet the requirements of those who applied to them. After this measure of relief a change for the better immediately appeared, and, notwithstanding that during December there were some serious failures, things steadily improved, and by the end of the year the panic was virtually over. Estimating this panic by the number of houses that failed and the large amount of their liabilities, it was more disastrous than either of the preceding ones of 1837 and 1847.

In March, 1858, the directors of the Bank resolved that from that period no further discount accommodation should be granted to bill brokers. This

course was decided upon in the interests of the whole banking fraternity, in order that the brokers should no longer have the power of encouraging an excessive manufacture of bills of exchange, for they would know that in future they would not be able to fall back in reliance on the Bank of England in times of sudden pressure. It was afterwards stated that this resolution was come to especially in regard to the old-established firm of Overend, Gurney & Co., who almost monopolized the Lombard Street discount business. *The Daily News* stated that their transactions, which were always extremely large, on extraordinary occasions were said to amount to about a million sterling per diem.

In 1859 there was another panic, produced by rumours of war and invasion, but it was nothing in comparison with that of two years previous or the one which occurred seven years later.

Towards the end of the year 1860, when the Bank of France was in need of gold, an accommodation transaction took place between that institution and the Bank of England, by means of which the transfer was made with as little disturbance of the rate of exchange as possible. The matter

was arranged in this way. The Bank of France drew upon Messrs. Rothschild & Sons and Messrs. Baring Brothers & Co. for bills amounting to £2,000,000 at three months' date, and those bills were negotiated in Paris and London without forcing the rate of exchange to such a point as would attract gold from London.

The reader of these "Chronicles" will remember that at nearly every renewal of the Bank Charter the proprietors have been called upon to pay for their privileges by making some concession or granting some loan free of interest to the Government. Perhaps this is as it should be on the "give and take" principle; although some writers seem to have thought otherwise. However, Mr. Gladstone took a new departure when, on the 31st January, 1861, he addressed a long letter to the Governor and Deputy Governor of the Bank on the subject of the management of the National Debt, in which he proposed a reduction in the sum paid by the Government to the Bank for the work undertaken by the latter. As the letter is a long one, consisting of some fifteen hundred words, and not capable of effective abbreviation, we will in this place content ourselves with one sentence. Mr. Gladstone

wrote, "We propose to ask Parliament to enact that a new plan shall take effect from the commencement of the next financial year, and shall remain in force for twenty-five years certain."

On the 7th February a Court of the proprietors was held in the Bank parlour, at which the subject of Mr. Gladstone's letter was considered, and the resolution to accept the proposals of the Government was adopted. Mr. Bonamy Dobree, the Governor, stated that the price proposed to be paid by Mr. Gladstone was £300 per million for the first six hundred millions, and £150 on the surplus above that amount, instead of £340 and £300 per million which they had been hitherto receiving. The total sum that would have to be given up as a result of this arrangement would be £50,021.

The directors, it is believed, have always given the clerks of the Bank such remuneration as they thought sufficient to maintain themselves respectably, and have ever shown a willingness to help them in times of exceptional difficulty; but they have always strongly objected to their getting involved in debt, or to their putting their names to bills or promissory notes. Towards the end of 1861 it came to the knowledge of the directors that some of the clerks

were in circumstances of embarrassment. In consequence the Governor and Deputy Governor issued a notice desiring those concerned to make known their needs, and stating that they would receive such assistance as the directors thought necessary. Several clerks availed themselves of the assistance so generously offered. Others who declined to make the statement required were found to have been dealing in bills and were immediately discharged, in accordance with a strict rule to that effect which has been in existence for many years. This rule will be considered a wise and merciful one when it is remembered that the exorbitant interest of 60 per cent. per annum and upwards is often, if not generally, charged by the money lenders.

During this year the discontent which prevailed in some quarters with the existing arrangements between the Government and the Bank found expression in a petition to Parliament signed by some influential firms in the City, and presented by the President of the Board of Trade on August 6th. After taking objection to fluctuations in the value of money, the wording proceeds, "Your petitioners believe and submit that these fluctuations are the direct and inevitable result of the futile

and vicious attempts by legislative measures to erect a fictitious system of currency on a false basis."

1862 was the year of the great Exhibition. The directors generously defrayed the expenses of the clerks, so as to enable each one to pay some half-dozen visits to the great show of the world's industry.

It was in 1855 that Mr. Smee explained to the Society of Arts the extreme care which was taken to prevent even a single sheet of bank-note paper being feloniously abstracted from the Bank Paper Mills. It was in August, 1862, that the exciting news spread in commercial circles that a large quantity of paper specially manufactured for Bank of England notes had been stolen from Messrs. Portal's mills at Laverstoke, in Hampshire; and not only had the paper been stolen, but it had been used for the printing of forged notes.

On August 22nd the Bank issued a notice offering rewards of £500 for the apprehension and conviction of the thieves and £1000 for the apprehension of the forgers, and also cautioning the public against receiving the forged notes, and "not to

depend upon the apparent genuineness of the paper alone."

Experience teaches us that the greatest precautions that can be taken give no absolute security against fraud and robbery, and it also teaches that crime, however cleverly planned, carried out and concealed, is more likely than not to be discovered and punished. It was so in the bank-paper robbery case.

On October 28th two men, a butcher and an electro-plater, were charged at the Mansion House with being connected with others in stealing bank-note paper and forging and uttering the same; and on the same day a man was charged at Birmingham with being concerned in the robbery. All were remanded, and the police were successful in recovering a large quantity of the forged notes. In November the prisoners were again examined and were committed for trial.

On January 6th, 1863, four men named Griffiths, Buncher, Burnett, and Williams, were tried and found guilty. It was proved at the trial that a duplicate of the master key had been made in London from a cast obtained from an

employee at the mills, and Buncher had bribed a boy to give him bank paper. Griffiths, an old offender, was sentenced to penal servitude for life; Buncher to twenty-five years; Burnett to twenty years; and Williams to four years—all penal servitude.

CHAPTER XV.

1864–1874.

The Bank joins the Clearing House—Pressure and speculation in Limited Companies—Overend, Gurney, & Co., Limited—Note circulation increased—Crisis—Bank failures—Failure of Overend's Company—Black Friday—Application to Government—Correspondence between the Bank and the Government—Suspension of the Bank Charter Act—Effects of the panic—Prosecution of the Overend Directors—Acquittal—Opinion of the Lord Chief Justice—Plentiful gold—War on the Continent—Bank Holidays Act—Effects of the peace—Fluctuations in the Bank rate—Exhibition of bank-note paper—Forged bills at the Western Branch—How the frauds were accomplished—Detection—Colonel Francis defended—Trial and conviction of forgers—The Governor on the robberies.

UP to the commencement of the year 1864 the Bank of England used to cash their bills and cheques by sending round to the various City banking houses their clerks called "Out Tellers," who brought back the effects either in notes and coin, in "bankers' payments," or in drafts on the Private Drawing Office. In May, 1864, they dropped this old-fashioned method and passed their cheques, etc., through the Clearing House from that date, thus

effecting a considerable saving of time and labour. During this year there was great pressure on the money market; if not a crisis in itself, it may almost be considered the commencement of the crisis which reached its climax in 1866. It was caused by over speculation in new companies which were formed under the Limited Liability Act of 1862. From September to March 263 companies were formed, with a nominal capital of over £78,000,000. Of these new companies twenty-seven were banking and fifteen discount companies. The demands on the Bank of England caused the rate to go up till it reached 9 per cent., but towards the end of the year it was reduced to 7 per cent.

Anyone looking in at the banking-house of Messrs. Barclay, Bevan & Co., in Lombard Street, on certain days in the spring of 1865 might have observed that managers and clerks were unusually busy. They were engaged in business connected with receiving subscriptions to the shares of a new company; the business of the great discount establishment of Overend, Gurney & Co. had been transferred to a Joint-Stock Company called Overend, Gurney & Co., Limited. No shadow of the coming event seemed to be cast before, for,

as *The Times* said, "Shareholders and customers relied with equal confidence in the solvency and prosperity of the undertaking." One year only did the new company live.

Through the lapsing of country note circulation the note circulation of the Bank of England was again increased in 1866 by £350,000, which raised the total to fifteen millions.

The most memorable event of this year was the commercial crisis. "During the early part of the year a high rate of interest indicated unusual pressure; but it was commonly asserted that trade was healthy, and the failure of one or two country banks was attributed to local causes."[1] But in the beginning of the year a large number of the recently formed limited companies were day after day being wound up. The first stoppage which created serious alarm was that of the Joint-Stock Discount Company. The failure in April of Barnard's Bank in Liverpool for the large sum of three and a half millions converted the alarm into panic.

The pressure on the Bank of England was great and of increasing intensity. In April the Bank rate was 6 per cent. It was raised successively

[1] *The Times.*

to 7, 8, and 9 per cent., and finally to 10 per cent. On the night of the 11th May the Chancellor of the Exchequer stated in the House, that "We find the Bank, through a desire to extend relief, had raised its loans and discounts to-day to a sum of something more than £4,000,000. The effect of that large accommodation was to reduce the reserve of the Bank to under £3,000,000." And he said also, that "If the Bank should in its issues exceed the limit allowed by law, the Ministers would make immediate application to Parliament for its sanction."

On the 10th May, Overend, Gurney & Co. made application to the Bank for assistance to the extent of £400,000. Their statement of their case not being considered satisfactory their application was refused, and about half-past three o'clock the great house of Lombard Street closed its doors. The failure was not announced till after banking hours, and the effect, which has been likened to that of an earthquake, it is impossible adequately to describe. *The Times* said:

"At the time of the suspension the engagements of the company amounted to £19,000,000, and traders and speculators depended on its resources for a proportionate supply

of accommodation. No single bankruptcy has ever caused so great a shock to credit. The following day produced the greatest agitation which has ever been known in the City, and the Government was compelled, as in 1847 and 1857, to authorize the Bank of England to issue notes beyond the legal limit. It was rumoured that the strongest Joint-Stock Banks were almost drained of their ready money, nor can it be doubted that a slight increase of distrust on the part of the depositors might have produced mischievous results. Two or three banks, including the Agra and Masterman's Limited Company, failed within the week, and several of the new Credit Companies, framed on the French model, were summarily crushed. The rate of 10 per cent. discount imposed on the Bank of England by Government as a condition of the additional power of issue lasted from May 11th to August 17th."

The next day, Friday, has been designated Black Friday. When the news of Overend's stoppage was generally known, the excitement in the City was intense, and the crowds which assembled in Lombard Street rendered that thoroughfare impassable. No one was considered safe; there was a run on all the banks, and probably some of them would have broken if the Government had not stepped in in time to mitigate the pressure. The country banks hurried to withdraw their balances deposited in London, and, of course, the appli-

cations to the Bank of England for assistance in the form of discounts or advances were numerous. It was decided to make application for help to the Government, as a journal of the day said, "Not on the part of the Bank, but on the part of the public."

Some of the leading people of the City resolved to apply to the Government for an immediate relaxation of the Bank Charter, and accordingly a very influential deputation of some of the principal merchants and bankers waited upon the Chancellor of the Exchequer in the evening, and at a late hour of the night the announcement already quoted was made by Mr. Gladstone in the House of Commons. The decision of the Ministers was received with unbounded satisfaction.

The correspondence which passed between the Bank and the Ministers we now give in a condensed form.

"Bank of England, 11*th May*, 1866.

"Sir,—We consider it to be our duty to lay before the Government the facts relating to the extraordinary demands for assistance which have been made upon the Bank of England to-day, in consequence of the failure of Messrs. Overend, Gurney & Co.

"We have advanced to the bankers, bill brokers, and merchants in London, during the day, upwards of four millions sterling, upon the security of Government Stock

and bills of exchange—an unprecedented sum to lend in one day, and which, therefore, we suppose would be sufficient to meet all their requirements, although the proportion of this sum which may have been sent to the country must materially affect the question.

"We commenced this morning with a reserve of £5,727,000, which has been drawn upon so largely that we cannot calculate upon having so much as £3,000,000 this evening, making a fair allowance for what may be remaining at the branches.

"We have not refused any legitimate application for assistance, and unless the money taken from the Bank is entirely withdrawn from circulation, there is no reason to suppose that the reserve is insufficient.

"We have the honour to be, Sir,

"Your obedient servants,

(Signed) "H. L. HOLLAND, *Governor.*

"THOS. NEWMAN HUNT, *Deputy Governor.*

"The Right Hon. the Chancellor of
the Exchequer, M.P., &c., &c., &c."

To the above communication a reply was sent to the following effect:

"*To the Governor and Deputy Governor of the Bank of England.*

"GENTLEMEN,

. . . . . .

"The accounts and representations which have reached Her Majesty's Government during the day exhibit the state of things in the City as one of extraordinary distress and

apprehension. Indeed, deputations composed of persons of the greatest weight and influence, and representing alike the private and joint-stock banks of London, have presented themselves in Downing Street, and have urged with unanimity and with earnestness the necessity of some intervention on the part of the State to allay the anxiety which prevails, and which appears to have amounted, through the great part of the day, to absolute panic."

The letter goes on to contrast the panic with the previous ones of 1847 and 1857, authorizes the directors to issue notes in excess of the limit prescribed by the Act of 1844, and states that the interest to be charged should be 10 per cent. It concludes :

"We have the honour, etc.,
(Signed) "Russell.
"W. E. Gladstone.

"Downing Street, *May* 11*th*, 1866."

When this measure of relief was granted the panic was over and money began to get cheaper, till in June, 1867, the Bank rate was down to $2\frac{1}{2}$ per cent. But the effects of the tremendous shock to credit were felt for years. At the end of 1866 we find on the authority of *The Times* that "commerce and credit have not displayed their wonted elasticity in recovering from the disasters

of 1866. A rate of discount ranging from one to two per cent. has failed to stimulate enterprise; and the fresh disclosures of irregularity and unsoundness in the affairs of railways and other joint-stock undertakings have discouraged investment. The embarrassments of the Brighton, of the North British, of the Great Eastern, of the Great Western, and, above all, of the London, Chatham, and Dover, and the doubts which have arisen as to the financial condition of the Caledonian Railway, press heavily on the credit of the most prudent and prosperous companies. The recent failure of the Royal Bank of Liverpool has once more illustrated the peculiar risks of banks administered by traders, whose interest in obtaining undue accommodation is likely to prevail over their regard for the protection of their shareholders." And again at the close of 1869 the same journal said, "Although more than three years have now elapsed since the great commercial and financial shock of 1866, there has been no healthy revival of trade."

The litigation which followed the fall of the Lombard Street house was very extensive. Two scenes only are necessary to complete our narrative

of that event. On the 1st January, 1869, at the Mansion House, Messrs. H. E. Gurney, Robert Birkbeck, H. G. Gordon, William Rennie, H. F. Barclay, and J. H. Gurney, were charged, as directors of Overend, Gurney & Co., Limited, with "unlawfully and wilfully conspiring," etc., to "cheat and defraud" the prosecutors of a large sum of money. All the six prisoners were committed for trial and were liberated on bail. When the decision of the magistrate was given, loud cheers rang through the court, were taken up by the crowd which was assembled outside, and the applause of the crowd was answered by renewed cheering in the court.

The trial of the case, the Queen *v.* Gurney and others, commenced in the Court of the Queen's Bench, in the Guildhall, on the 13th December. It occupied nine days, and terminated in a verdict of "Not Guilty." Public opinion in reference to the matter had undergone a change during the year, for the cheers of the people were as loud and as long on the acquittal of the directors as when they were committed for trial. Dr. Kenealy, the counsel for the prosecution, applied for costs, when the Lord Chief Justice replied, "If the

prosecution had only included the old directors, then, notwithstanding the verdict which has just been pronounced, and in which I must say I fully concur, I should have been disposed to accede to the application, thinking the case was, as regards them, one fit for inquiry." The application was refused.

An event in the annals of the Bank took place in 1870, in the passing of the Act 33 Vict. Clause 72 of that Act granted the perpetuity of the Bank's Charter.

The month of December was distinguished for a plethora of gold. The Bank rate was down to 2½ per cent., and the notes in circulation did not amount to the sum of £2,000,000 more than the bullion in the vaults.

The great war which commenced in July between France and Germany did not remarkably affect the Bank. On the outbreak of the war the Bank rate was raised to 6 per cent., but it was soon afterwards reduced, and at the close of the year the condition of trade was, as a whole, fairly prosperous.

In 1871, on the 25th May, the passing of Sir John Lubbock's Bank Holidays Bill gave the banks of the country four additional holidays every year,

viz., Easter and Whit Mondays, the first Monday in August, and Boxing Day. They did not prove to be a special boon to Bank clerks or to bankers' clerks, as the holidays were soon adopted by all classes, and came to be regarded as much public holidays as Christmas Day and Good Friday had previously been.

In 1871 the terrible war on the Continent was over, and in the following year the effects of the treaty of peace affected the money market in England more than the war had done. Of the vast sums of money which were paid, under the treaty of 1871, by France to Germany, "a large portion had been retained in the hands of the Government and of private speculators, in anticipation of the proposed substitution of gold for silver in the currency of the empire."[1] The directors of the Bank found it necessary to take precautions to guard against the risk of a sudden drain of bullion. In April the Bank rate was raised from $2\frac{1}{2}$ to $3\frac{1}{2}$ per cent., and it remained at the latter price or at 4 per cent. till August. In the autumn, in the course of five or six weeks, it was raised by successive stages to 9 per cent.,

[1] *The Times.*

at which figure it remained from the 5th to the 19th November; that high rate of interest had the result of attracting gold to the English markets, so that in December the directors were able to reduce the rate to 5 per cent.

During this year specimens of bank-note paper were to be seen at the International Exhibition at South Kensington. One sheet, set in a frame, showing various kinds of watermarks, was said to have cost Messrs. Portal the sum of £500. Russia also exhibited bank-note paper.

In 1873 it was discovered that the Bank had been defrauded of a large sum of money by means of forged bills, which were sent into the Western Branch for discount. The frauds were committed by the exercise of great skill and patience by well-educated men, some of whom could speak several languages, and who might have been benefactors of society if their talents had been turned to good instead of evil account. The principal actors in the business were three Americans and a man named Noyes. In the spring of 1872 the Americans, George Bidwell, Austin Biron Bidwell, and George Macdonnell, arrived in London with their plans well matured, and with a capital to work

with of some six or eight thousand pounds. Those plans were boldly and cleverly executed, and were only prevented from being successfully and completely carried out by the occurrence of one of those little errors which, fortunately for honest and law-abiding citizens, are so often made by the rogues and scoundrels who prey upon them.

In the month of April Austin Bidwell, Macdonnell, and a companion named Siebert went to the shop of Mr. Green, a tailor in Savile Row, ordered some clothes, and said they would call to try them on later. They did so on May the 4th, when Bidwell, who had given the name of Warren, said they wanted to catch the Irish express, and requested Mr. Green to take care of £2000 which he did not like to leave at his lodgings. Mr. Green, instead of accepting the responsibility of the money, took Mr. Warren, as he was called, to the Western Branch in Burlington Gardens, where he kept his account, and gave his new customer an introduction to the authorities there.

An important step in carrying out the conspiracy was now accomplished. Bidwell was a customer of the Bank, and he soon took care to improve his position and to introduce his confederates. Noyes,

who gave as his address an hotel near Manchester Square, afterwards took many of the forged documents to the Bank. The "deposit" account was converted into a "drawing" and "discount" account, and as an explanation why large sums would be placed to their credit, the conspirators informed Colonel Francis, the agent (or as he would be called in a Joint-Stock Bank, the manager), that they were bringing out an improved railway brake and were about to establish a sleeping-car manufactory in Birmingham. Colonel Francis was afterwards blamed in some quarters for having been too confiding and for not making sufficient inquiries about his new customers.

The next step was to obtain first-class bills which were to be counterfeited, and from which plates, dies, etc., were afterwards designed. One of the Bidwells went to Amsterdam and bought bills on Montagu & Co., Blydenstein & Co., and the London and Westminster Bank; he then went to Paris and obtained bills on Rothschilds, and on Barings of London. He returned to London, and on the 17th January he took the Rothschild bill to the Western Branch for discount, saying, as he handed it in, "There, I suppose that is good enough for you."

He afterwards offered for discount altered and forged bills, the whole amounting to more than £100,000. As soon as the proceeds were placed to account they were drawn off and so invested as to be easily available so soon as the forgers were ready to make off with their booty.

That time had nearly come, but the frauds were discovered by means of the very last parcel of bills that were handed in to the Bank on the 27th February. Most of the bills discounted were entire forgeries, but one good bill for £25 had been altered to £2500. The first of the forged acceptances would not become due till the 31st March, which allowed the conspirators plenty of time to escape from the country. But their plans were upset by a trifling omission.

Two bills, among those last handed to the Bank, for £1000 each on Blydenstein & Co., and payable at "three months after sight," did not bear the date of the "sighting," which is essential. The clerk who had the bills to examine thought that was merely a clerical error, and sent the two bills to Messrs. Blydenstein to have it rectified; it was then discovered that the bills were forgeries. When the thieves found that their game was up they

bolted. The police followed them half over the globe, and at last they were brought to justice.

At the half-yearly general court of the proprietors held at the Bank on the 13th March, Mr. George Lyall, the Governor, made the following observations in regard to what had recently transpired:

"I may state, with regard to Colonel Francis, our agent at the Western Branch, that although he was named a Colonel, being, in fact, a Colonel of engineers in the Indian army, he had been engaged in civil work under the Government in respect to accounts. On his being introduced to the management he had been first appointed to Leeds as sub-agent, whence he had been removed to our Western Branch as chief agent. During his period of service that gentleman had given great satisfaction, and though through the extraordinary ingenuity in the manufacture of those bills he had involved the Bank in a serious loss, I cannot see that any blame is to be attached to his conduct."

In April it was announced that all the perpetrators of the late forgeries had been arrested. In August they were tried, convicted, and sentenced to penal servitude for life.

At the half-yearly meeting held at the Bank on the 12th March, 1874, the Governor, Mr. Benjamin Buck Greene, is reported to have said, in reference to the robberies:

"At that time last year we wrote off £77,000, which was the total loss. He was happy to be able to inform the proprietors that since that time the Bank had recovered property which had realized £73,420 13*s.* 3*d.*, leaving a total loss of £3,579 6*s.* 4*d.* But the money had been recovered at a considerable cost, the Bank having pursued its usual policy of leaving no stone unturned to bring offenders to justice, to punish them, and to recover as much of the lost property as possible. A large sum of money was necessarily expended in tracing and discovering the property and in giving rewards for services. The extradition of one of the culprits from New York, and another from Havannah, of course entailed expense, but it was a public duty to track the wrongdoer and punish him. The total cost of the prosecution, etc., amounted to £46,419 0*s.* 9*d.*, which, deducted from the £73,420 odd received, left a balance of £27,001 12*s.* 6*d.*, which had been carried to profit and loss account of the half-year, and was included in the 'rest' reported that day."

CHAPTER XVI.

1880–1886

Quiet times—Bank meeting—Bimetallism—The Paris Conference—Attitude of the Bank—Extent of the Bank's work—An unusual meeting—Address to the Queen—Subscriptions of the Bank to various funds—The Directors' pay increased—Suffell *v.* Bank—Gattie *v.* Bank—Gattie *v.* Grenfell—National Debt Conversion Act—Remarkable discovery of forged notes—Saturday early closing.

IT has been said, "Happy is the nation which has no history." Perhaps this saying may be applied to the Bank during those periods when things proceed so quietly and with such regularity that there is not much to be said about them. If there are no stirring incidents to record of the few years following 1872, we may be consoled by the reflection that the Bank went on safely and evenly, doing its business with the public and the Government, and that during such times there are no commercial panics and gigantic failures to bring misfortune and ruin to thousands. The following condensed report of a meeting of the proprietors

will give the reader an idea of the kind of meetings that take place in the Bank parlour twice a year.

A General Court of the Governor and Company of the Bank of England was held on March 11th, 1880, in the Bank parlour, "to consider of a dividend."

Mr. J. W. Birch, the Governor, presided. After the minutes were read, etc., the Governor said he had to acquaint the court that the net profits for the half-year ending February 29th last were £681,714, making the amount of "rest" on that day £3,703,332, and after providing a dividend of $4\frac{3}{4}$ per cent., the "rest" would be £3,012,065. The Court of Directors therefore proposed a half-year's dividend of interest and profits, to be made on April 5th next, of £4 15*s.* per cent., without deduction on account of income-tax.

Mr. W. Botley seconded the motion, and referred to the great frequency of late of forgeries and alterations of cheques. He expressed his opinion that by a combination of the printer, artist, and chemist, an alteration of a cheque might be rendered impossible.

The Governor, in reply, said: As to the cheques, for the past twelve months he had been in constant

THE BANK PARLOUR.

communication with Mr. Coe[1] and other people conversant with the subject, as to the best system to baffle every attempt at forgery. He believed now that they had a cheque which would do that. He did not think it was quite ready yet, but it would be in a few days. He thought they had been very fortunate in making so few losses. After a vote of thanks to the Governor and directors was carried, the court adjourned.

The great fall in the value of silver, consequent, partly, on the adoption of a gold standard by Germany, France, and the United States, caused great stir about this time among bimetallists, and brought their views somewhat into prominence. Mr. H. H. Gibbs and Mr. H. R. Grenfell, both directors of the Bank of England, took part in the controversy, on different occasions, on the side of bimetallism. In 1881 a Monetary Conference was held in Paris, to which France, Germany, the United States, Canada, India, Russia, Austria, Hungary, Greece, Sweden, Norway, Switzerland, Portugal, Denmark, and Great Britain all sent delegates. No definite conclusion was arrived at, and the Conference adjourned to April, 1882. The

[1] The Bank printer.

position held by the Bank of England in regard to the silver question was explained by Professor Leone Levi, in the Gilbart lecture which he delivered at King's College in 1882. In regard to the Paris Monetary Conference he said:

"It having been suggested that the opinion of the principal banks of issue on the subject should be ascertained, the British representatives communicated to the Conference a memorandum by the Bank of England to the effect that: 'Inasmuch as the Bank Charter Act permits the issue of notes upon silver to the extent of the fourth part of the gold held by the Bank in the issue department, in the event of the mints of other countries making such rules as would ensure the certainty of conversion of gold into silver and silver into gold, the Bank Court were satisfied that the issue of their notes against silver, within the letter of the Act, would not involve the risk of infringing that principle of it which imposes a positive obligation on the Bank to receive gold in exchange for notes, and to pay notes in gold on demand. The Bank Court saw no reason why an assurance should not be conveyed to the Monetary Conference at Paris that the Bank of England, agreeably with the Act of 1844, would be always open to the purchase of silver under the conditions above described.' Here, the Conference thought, was something tangible. Let Germany engage not to sell any more silver for a certain time, let the Bank of England keep a larger quantity of that metal than heretofore, and let British India undertake not to depart in any direction calculated to lower the value of silver from

the existing practice of coining silver, a legal tender throughout the Indian dominion of Her Majesty, and the downward course of the price of silver may be so far arrested."

Mr. J. W. Birch, the Governor of the Bank in 1881, speaking at a dinner at the Mansion House, said, in allusion to the work which was done at the Bank, "Some idea of the magnitude of this work may be formed when I tell you that there are no less than 236,500 accounts opened in the public funds; that the number of bank-notes issued during the last year was above fifteen and a quarter millions, representing a sum of £338,000,000, and a similar amount cancelled; an accurate register of each operation being kept, so that any note paid into the Bank during the last five years could be produced within a minute or two with information as to the channel through which it had found its way to the Bank, although the register represents 77,000,000 of notes stowed away in 14,500 boxes. It is generally thought that the Bank is extravagant in cancelling the notes which come in, but the matter has been well considered, and it is calculated that if we had to keep a registry of the notes in the way it is the custom of the Bank to do, the system we follow is the cheapest."

At the General Court held at the Bank on March 16th, 1882, several matters somewhat out of the usual routine were discussed. Besides the consideration of a dividend the Court had also to consider an address of congratulation to the Queen on Her Majesty's recent providential escape from assassination. Mr. H. R. Grenfell, the Governor, occupied the chair. During the meeting Mr. Wren said he saw in the papers at the beginning of the year that the Governor of the Bank attended a meeting at the Mansion House on behalf of a fund for the protection of life in Ireland; and he appeared to have attended it as Governor of the Bank of England, and not as Mr. Grenfell. He thought it objectionable that the Governor of the Bank of England should take part in a political movement; and he wrote a letter to him asking him by what authority he gave away the proprietors' money without their being consulted. He now, therefore, asked the Governor and directors whence they derived their authority to subscribe, and he moved, "That this Court disapproves of any subscription by the Bank to any fund which indicates a political bias." Mr. Jones seconded the motion.

In reply, the Chairman said he was perfectly

certain that those who started the fund had no political bias whatever, and he had served on the committee for the purpose of keeping them up to that. With regard to the powers which the directors had for the purposes of these subscriptions, he could only say that they had always made these subscriptions at different times and periods, and that they had not been wholly confined to objects for charity. At all times when there had been any great public movements on foot it had been the practice to call on the Bank of England for their subscriptions, and they had been given on various occasions. According to their Statutes or Charter the Court of Directors were enabled to do anything whatever which the Court of Proprietors might do; and it was somewhat singular that the first subscription which he could find in the books was made by the Court of Proprietors, not by the Court of Directors. It was a subscription of a thousand guineas, in 1743, to a fund for the relief, support, and encouragement of His Majesty's forces. In 1797 the directors subscribed five hundred guineas for detecting the persons engaged in the mutiny of the Nore, and in 1815 there were various subscriptions to the Patriotic Fund and other funds

connected with the war then raging in Europe. From 1815 down to the Crimean War there were various subscriptions — almost all for charitable objects; and since then some in connection with the mutiny in India, with the Bengal Famine Fund, and various other matters more or less connected with what some persons might suppose was the work of the Government.

Sir John Lubbock suggested that after what had fallen from the Governor the motion should be withdrawn. Mr. Wren consented to that.

Sir John Lubbock gave notice of his intention at the next meeting to move that the annual allowance to the Governor and Court of Directors, which was fixed in 1804 at £8000 a year, be raised to £12,500.

At the adjourned meeting, held on March 29th, the proposal to increase the remuneration to the directors was amended, and the sum decided on was fixed at £14,000 per annum, to be divided as follows: £1000 each to the Governor and Deputy Governor, and £500 to each of the directors.

A question of importance both to the Bank and the public was decided after two trials in the Courts of Law. Some person or persons obtained

money from a London banker by means of a forged cheque. The notes thus obtained were changed at the Bank of England for other notes which were put into circulation on the Continent, one of the numbers of each note having been altered, doubtless for the purpose of preventing the notes being traced. Some of these notes came into the possession, in the ordinary course of business, of a Monsieur Suffell, a money-changer at Brussels. On payment being refused by the Bank, M. Suffell, as a *bonâ-fide* holder of the notes, brought an action against the Bank for the recovery of the money. The case was tried before the Lord Chief Justice (Lord Coleridge) on July 6th, 1881, who gave judgment in favour of the plaintiff. Against this decision the defendants appealed, and the case, Suffell *v.* The Bank of England, was tried in the Court of Appeal at Westminster on April 28th, 1882, the action depending upon the question whether the notes had been altered in a material particular. The Court ruled that they had, and therefore reversed the decision of the Court below and gave judgment in favour of the Bank. The Master of the Rolls, in giving judgment, said: "The usage of putting numbers on notes dated from a very long period

and was a custom well known. The Statute 7 & 8 Vict. c. 32, s. 4, gave the right to demand notes in exchange for gold bullion; it also enabled persons who received notes to trace them by reference to their numbers, and led to the detection of crime if the notes were stolen. The utility of the numbers did not stop there. It enabled the Bank to know the extent of its issue and the amount of its liability. . . . This was clearly a case within the general law; there was no authority binding on this Court to limit the meaning of 'material alteration' so as to exclude the case from the general law. The decision would be productive of hardship to the plaintiff, but nevertheless the defendants ought to succeed." Lord Justices Brett and Cotton also delivered judgments to the same effect.

Another action was brought against the Bank in the year 1882. On March 20th the case of Gattie *v.* The Governor and Company of the Bank of England was tried before Mr. Justice Field and a special jury. The plaintiff had been a clerk in the employ of the Bank for thirty-four years. In 1878 he had been engaged in some stock and share dealings with a Mr. Keymer, who forged a receipt purporting to have come from the Bank of England,

for which offence he was afterwards tried for forgery and convicted. Mr. Gattie was dismissed on account of his transactions with Keymer, and he brought his action to recover damages for wrongful dismissal and arrears of salary on the ground of his having done nothing contrary to the Bank rules.

After a searching cross-examination of the plaintiff by Mr. Webster, Q.C., on behalf of the Bank, the plaintiff's counsel, Mr. Kemp, said that after what had come out it was evident there had been a breach of the rules, and he would accept a verdict for the defendants. The judge and the jury both agreed to that view of the case, consequently judgment was given for the Bank with costs.

At the next meeting of "General Court" of the Bank, on March 15th, 1883, there was some disposition on the part of a few of the proprietors to discuss the case of Mr. Gattie, but when Mr. H. R. Grenfell, the Governor, said he confessed that he should not like to make public the memorandum on the subject which he held in his hand, unless he were assured that Mr. Gattie desired it, the matter was not pressed.

Two years afterwards an action, brought by Mr. Gattie against Mr. Grenfell for slander, was tried in

the Court of Queen's Bench on May 3rd, 1885. The plaintiff based his charge on the words we have already quoted, and also on the following, which the plaintiff alleged that the defendant had used on the same occasion: "The Bank officials can bring forward proofs of Mr. Gattie's misconduct, making his discharge necessary, and his friends would best consult his feelings by letting the matter drop"; but the plaintiff did not succeed in proving that the latter words had been spoken. The defendant pleaded that the words he used were privileged, were true, and were not spoken in malice. The judge ruled that the occasion was privileged, but he allowed the question of malice to go to the jury. The jury decided that there was no evidence that Mr. Grenfell had acted maliciously, so the plaintiff lost his action on all points.

On July 3rd, 1884, the National Debt (Conversion of Stock) Act was passed. The object was to bring about the reduction of the interest payable thereon through the voluntary action of the Stock holders, although the Act gave the Government compulsory power after giving a year's notice. The terms offered were either £102 of a new $2\frac{3}{4}$ per cent. Stock, or £108 of a $2\frac{1}{2}$ per cent. Stock, for

every £100 of 3 per cent. Stock exchanged. The exchange in either case would involve a loss of income, and whether there would be any real gain of capital was a matter of uncertainty. The £102 at $2\frac{3}{4}$ per cent. would yield £2 16*s.* 1*d.*, and the £108 at $2\frac{1}{2}$ per cent. £2 14*s.* per annum. This was not an enticing bait, and the public did not readily take it. More than a month after the terms were published a financial journal reported that "None of the large holders of the British funds have up to this time accepted the offers of the Chancellor of the Exchequer for the conversion of their Stock." At a General Court of the Bank held on March 12th, 1885, Mr. J. Jones, a proprietor (who generally had a speech to make on such occasions), said: "The directors had been very energetic in connection with the conversion scheme of the Government, and he had received some half-dozen intimations from them, telling him that he could convert his holding from 3 per cent. to $2\frac{1}{2}$ per cent."

In this year a number of counterfeit notes were discovered in a remarkable manner. The authorities had for some time been trying in vain to trace some forged notes for large amounts which they knew to be in circulation. Early in the month of January

a woman, accompanied by a respectable tradesman of Leadenhall Market, presented a £500 note at the Bank, for which she required change in other notes and coin. The note tendered appeared perfectly genuine, but was discovered to be a forgery by the fact that no genuine note for £500 of the number on the one presented had been issued. When the detectives were called in and the woman questioned, she at first declined to give any information. The tradesman, however, said that the woman owed him money and had asked him to take the amount of her debt out of the £500 note, and he, not having sufficient cash to change it, came over with her to the Bank. On the police pursuing their inquiries the following facts came out. The woman's husband, a shopkeeper in Mansell Street, Whitechapel, said he had received the notes from a friend in the country, and he handed to the officers three or four similar notes and several others for £100 each. On following the matter up from the addresses given, the notes were finally traced to a man employed by the Metropolitan Board of Works to keep clean the paths on Clapham Common. The scavenger admitted having had the notes, and stated that he and two of his

THE ROTUNDA, BANK OF ENGLAND.

companions had, towards the end of the previous year, found a box hidden under a furze bush. On opening it they found it to contain Bank of England notes to the amount of £6000 or £7000, in denominations of £100 and £500. The men agreed to divide the find between them, but did not do so at once lest the owner of the box should appear. The police retained the whole of the forged notes.

The question of early closing in banks had come under discussion at different periods. Up to the year 1850, or thereabouts, London banks remained open on Saturdays till five o'clock; about that time the hour was changed to four. Some years afterwards, after hard fighting for two o'clock as the closing time, a compromise resulted in the year 1865 in the hour being fixed at three o'clock. In 1886 the early-closing advocates proposed that one o'clock should be the closing time. The Bankers' Committee took the matter under consideration, and again a compromise was effected, and on Saturday, October 2nd, 1886, the Bank of England, in common with the other City bankers, closed at two o'clock.

Mr. Henry May, formerly a clerk in the Bank, contributed the following particulars concerning the Rotunda to the *Bankers' Magazine* of May, 1891.

The Rotunda was formerly used for the Consol Market by the Stock Exchange. A writer of that time described what then took place there as "a scene of bewildering confusion and uproar, made by brokers and jobbers offering or bidding for stock, proclaiming the news — false or otherwise — and touting for business with the full force of their lungs; while beadles, from time to time, only added to the noise in the vain attempt to drown the voices and to give the purchasers and sellers room and opportunity to transact their business." As time wore on things got better, no doubt, but the custom of making a Stock Exchange of the Rotunda was found to be such a nuisance that at last, in 1837, Sir Timothy Curtis, the then Governor, most unceremoniously drove the intruders from the building, which is now the dividend pay office, where stockbrokers who take their warrants in the dividend office can have them paid in cash. A gallery has recently been placed round the building.

CHAPTER XVII.

1887–1891

Increase of Note Issue—Conversion of the National Debt—Mr. Goschen's Resolution—High pressure at the Bank—Sir Mark Collet—High price of Bank Stock—Robbery by an Agent—Detection and Flight—Opening of the Law Courts Branch—*Answers'* prize—Scene at the Threadneedle Street entrance—Light gold called in—Gold-weighing machines—Position of the Bank in regard to Interest on Deposits—Bank of England Club—*Re* Vagliano Bros.' appeal to the House of Lords.

AN Order in Council emanated from "the Court at Balmoral, the 15th day of September, 1887. Present, the Queen's Most Excellent Majesty in Council." By this Order the Bank received authority to issue additional notes to the amount of £450,000. This was done, as on former occasions, in accordance with the Bank Act of 1844, which decreed that the Bank might issue two-thirds of the amount of note circulation which should lapse owing to the failure or amalgamation of other banks. The Bank retains no profit from these additional issues on securities, as the Act provides that the net profit derived in the Issue Department during the current year shall be

deducted from the amount payable to the Bank for the management of the National Debt, and accordingly the amount of such profit is annually carried to the credit of the Government.

The year 1888 will long be remembered by the conversion of a great part of the National Debt from the interest of 3 per cent. to $2\frac{3}{4}$ per cent. The 12th of April was the last day on which the assents of ordinary holders of Consols and Reduced Three per Cent. Stocks could be sent in. On the morning of that day *The Times* said that up to the evening of the previous day so many assents of Stock holders had been sent in as would make the sum of New Consols applied for amount to £450,000,000, and that "the pressure at the Bank of England was still very great." On the 13th, Mr. Goschen, the Chancellor of the Exchequer, said in the House of Commons, "The total amount converted, including New Threes, is £473,000,000. The total amount not converted out of the total Funded Debt of £558,000,000 is about £85,000,000. Trustees are still allowed to hand in their assents up to the 12th of May and the 1st of June respectively." An operation of this kind had never been attempted before on so large a scale, and a great strain was

put upon the staff of the Bank, in order to accomplish the business satisfactorily.

Mr. Goschen, in the House of Commons, on July 5th, moved the following resolution: "That the Consolidated Three pounds per centum Annuities, and the Reduced Three pounds per centum Annuities shall be redeemable at any time after the expiration of one year from the date at which a copy of this resolution, having been inserted in the *London Gazette*, is affixed on the Royal Exchange in London, by payments of not less than £500,000 at any one time, in manner directed by any Act to be passed."

During the spring and summer months the clerks in the Stock offices were working at high pressure. Volunteers were asked for from "the other side" of the house; accordingly the clerks in the Cash offices (who had volunteered for the work), as soon as they had finished their day's duties, hurried into the Stock offices, where they worked with the other clerks on the conversion till late at night or the small hours of the morning. Many only left off in time to catch the midnight trains to their homes, and some who lived too far from London to be able to do that took lodgings in the City, and did

not see their wives and families from Monday morning to Saturday night. The conversion proved a success. On October 12th an official statement of the result of the working of the National Debt (Conversion) Act, 1888, was presented to Parliament. We omit the details of the Stocks which remained unconverted, and give only the principal results, as follows:

Total amount of Three per Cent. Stock outstanding		£42,464,052
Two and Three-Quarters per Cent. Consolidated Stock, converted from:		
Consolidated Three per Cents. . .		£320,312,024
Reduced Three per Cents. . . .		63,134,990
New Three per Cents.		165,637,359
		£549,084,373
Deduct—Cancelled between March 31st and October 5th, 1888:		
In exchange for an annuity of £2,605,706 (Chancery Annuity) . . .	£34,625,778	
On account of annuities for life and terms of years	145,025	
		34,770,803
Amount of Two and Three-Quarters per Cent. Consols at October 5th, 1888		£514,313,570

After his exertions in the business of the conversion, the Governor, Mr. Mark Wilks Collet, had the honour of a baronetcy conferred upon him.

At the half-yearly meeting held in the Bank parlour on March 14th, 1889, Mr. William Lidderdale, the Deputy Governor, who presided, expressed his regret that Sir Mark Collet had been attacked by illness in November, and by medical advice had gone to stay on the Continent until the return of the warm weather. On behalf of the directors he proposed a dividend of $5\frac{1}{2}$ per cent. for the half year, free of income tax. In seconding the motion Mr. W. Botley remarked that their £100 Stock was quoted in the market at 327 to 330—the highest price it had ever reached.

In the previous pages we have had before us robberies of the Bank by clerks in the employ of the Governor and Company; we have now to notice a robbery committed by an agent. About the year 1888 the theft of £800 was traced to an agent of one of the branches of the Bank. The robbery had evidently been going on for some time, and it is somewhat remarkable that it was not found out earlier, when the accounts of the branch were being audited. On that occasion a bag of gold which

should have contained £1000 was missing from the safe, but the agent, coming in at the time, by a trick managed to get it replaced and to quiet any doubt that may have arisen in the mind of the auditor. Although that gentleman went away apparently satisfied, others had their suspicions that all was not satisfactory, and these suspicions were afterwards increased when it was noticed that certain private payments of the agent from time to time were made by new sovereigns of a certain date which looked as if they had been all taken from one bag. When that circumstance came under the notice of the sub-agent he had the contents of the safe examined when the agent was absent, and it was then found that one of the bags labelled as 1000 sovereigns of a certain weight was deficient in the weight specified, and contained not 1000 sovereigns but only 200 sovereigns on the top, the remaining space being filled by metal counters. A director who went down to the branch made an inquiry, and found in the agent's private box a number of similar counters. The director told the agent to go home and to consider himself suspended. The agent, instead of so doing, took the night train to Hull, and from that port departed in the first

boat sailing to Holland. The particulars of this affair were not much known in London, but the local papers were full of the facts, or supposed facts, of the case, and some account of them appeared in the pages of *Truth*.

At the General Court on March 11th, 1886, the then Governor, Mr. J. P. Currie, informed the proprietors that the directors were in treaty for a valuable site in Fleet Street, which could be used as a branch establishment, not only for the convenience of the Law Courts, but also for the general public. Some years previously the business of the Bank "Chancery office" had been removed from the Bank in Threadneedle Street to a temporary office in the New Law Courts building. In 1888 the handsome new bank in Fleet Street was completed, and the business was again removed to the new premises. The Bank was opened for the legal and general business on December 17th in that year, and was called the "Bank of England Law Courts Branch."

Towards the end of 1889 the editor of a weekly publication called *Answers* offered a prize of a pound a week for life to the reader who would, on certain conditions, send in the nearest guess to the amount

of coin which would be in in a certain department of the Bank on the evening of the 4th December following.

In its account of the result of the competition the same journal, on December 21st, gave the subjoined particulars, which we here reproduce with the consent of the proprietors of *Answers:*

"ONE POUND EVERY WEEK OF HIS LIFE FOR MERELY SENDING US A POST-CARD.

"After examining three times the 718,218 post-cards sent in, we award the biggest prize in the world to the following gentleman:

C. D. AUSTEN,
Ordnance Survey Office, Southampton.

"The amount in the Bank was £867,823, and Mr. Austen guessed £867,825. It is remarkable that out of the 718,218 guesses no one was really near him, though eighteen were within one hundred pounds.

"The scene at the Bank of England on Thursday, December 5th, when the figures were made public, was capitally sketched by our special artist.

"Crowds poured in to see whether or not they were near the figures, and telegrams were received all day at the Bank asking for information. Those who were present at the Bank will recognize the portrait of the gorgeous beadle, who declared that he was almost pestered to death by the sudden incursion of so many strangers.

"No sooner were the figures out than runners attached to various evening newspapers sped to the nearest telephones and telegraph offices to wire the result to Fleet Street, whence the news was speedily disseminated throughout the United Kingdom."

About the year 1886 and those following, attention had been called to, and discussion had been held, both in and out of Parliament, upon the state of our gold coinage. Much of it was very deficient in weight, and the Act of Parliament of 1870, which had been passed to deal with the matter, was found to be inefficient. In the early sixties the Bank of England out-tellers (or collectors) were provided with pocket scales and weights in order that they might weigh any doubtful sovereigns and half-sovereigns that might be tendered to them. These instruments were not much used by them, as most of them could pretty well detect light coins by the appearance. Tradesmen and others were sometimes put to some inconvenience by clerks of the Bank refusing to accept the gold they tendered in payment of their bills on the ground that the coin was "light."

An Order in Council was issued on December 13th, 1889, which specified the 13th February,

1890, as the last day on which any gold coin of the realm coined before the reign of Queen Victoria, and which was below its proper weight, might be tendered at the Mint or at the Bank of England and be exchanged at its nominal value. The time allowed for that purpose was afterwards extended to March 31st in the same year. On February 13th, 1890, *The Daily News* published an interesting article, entitled "LIGHT GOLD," from which the subjoined extracts are given. The automatic weighing machines alluded to have long been in use in the Gold Weighing Office of the Bank.

"This withdrawal of light gold may no doubt be regarded as a tentative, experimental measure, preparatory to a further step in the same direction, and the course adopted is a distinct abandonment of the principle acted on in the proclamation already alluded to nearly fifty years ago, and embodied in the Coinage Act of 1870—the principle of making the last holder of a gold coin responsible for its full weight. In June, 1842, the Treasury entered into an arrangement with the Bank of England that light gold should be received on behalf of the Government, and paid for by weight at the rate of £3 17*s.* 10½*d.* an ounce, the rate at which the Mint issues gold coin. A Royal proclamation was at the same time issued calling attention to the loss as to light gold, and directing that the Revenue and other Government departments should decline to receive all

coins that were not of proper weight. This, of course, created an immense sensation throughout the country. Everybody took to weighing their gold coins. A good many persons habitually carried scales about in their pockets, and it became a customary thing for shopkeepers to deduct twopence for every grain they found short in the coins tendered by their customers, and banks everywhere took to disregarding the nominal value of the gold paid in to them and allowing for it only by weight.

"Another Act passed last year, however, explicitly states that that section has failed to maintain the integrity of the gold coinage of the realm, and as most persons are aware from their own observation, it has been practically a dead letter except as regards the Bank of England, which has systematically sifted out all the light gold coming into its hands, and clipped it before passing it on to the Mint. A great deal of this has been done at its own expense, no charge being made to their best customers for light gold; but all who take worn coin to Threadneedle Street are liable to find that their sovereigns dwindle to perhaps 19*s.* 10*d.* or 19*s.* 8*d.* or even less. They have at the Bank a large number of wonderful little automatic machines which will take a rouleau of coins, slip them one by one into a scale, hold the balance steady until the coin is in position, then let it go, weigh the gold very deliberately, and with infallible accuracy shoot it off in this direction if it is full weight, and in that direction if it is light. The light coins are then borne off to another machine, through which they rush with the speed of a millstream, each one getting a ruinous gash as it passes through. No light gold coin is ever paid out by

the Bank of England. But none of the other banks have ever complied with the law, and as to private persons breaking each other's sovereigns and half-sovereigns, why in an impecunious world like this such a thing is not to be thought of. The law imposes no penalty for non-compliance, and the man who should receive ten or twenty solid and respectable-looking sovereigns and should begin to pick out one or two of them to break them up and hand them back would be thought to be seeking a quarrel. Any attempt to enforce such a law now by such a proclamation as was issued in 1842 would probably produce a much livelier state of things than resulted then. The oldest sovereigns and half-sovereigns then had been only about five-and-twenty years in circulation; yet, as it has been shown, there were £14,000,000 worth of coins found to be light. Seven or eight years ago the Deputy Master of the Mint pointed out that the coinage of the gold then circulating had begun sixty-five years previously, and for thirty-eight years had been permitted to become lighter and lighter each year. It was reckoned then that there was about £100,000,000 worth of gold in circulation, and that a good half of this, or £50,000,000 worth of gold coinage afloat in the country was under weight, besides being probably £650,000 deficient in fineness. That was in the early part of 1882, and now we are in the early part of 1890, and things, of course, are so much worse.

"The manager of one of the largest of the London banks yesterday said that the gold coin that passed through their hands was extremely little of it defective in weight, and it seems to be generally allowed that most of the light gold is

in the country, or at any rate, that in the country there is a very much larger proportion of light gold than in London. Two reasons are suggested for this. One is that since the Bank of England makes deduction for all short weight coins, some banks take care to send in as little light gold as they can in that direction; that their good coins go to the Bank of England, and their light ones down into the country, where they are not liable to be challenged. Another and perhaps a more feasible explanation is that the country circulation is light, simply because the country is further from the centre of original distribution. All the coins that emanate from the Mint or the Bank of England are of full weight, and to a great extent they circulate first in London, and of course help to keep up the standard."

It had generally been understood by the public that the Bank of England did not allow interest on money left on deposit—as is done by the joint-stock banks. In February, 1890, a resolution passed by the Finance Committee of the Hampshire County Council stated that the Bank of England had expressed its willingness to allow any part of the balances from time to time standing to the credit of the County Council to be carried to a deposit account, which might be lent at interest on the Stock Exchange, by and at the responsibility of the Bank. This course was considered to be a "new departure" on the part of the Bank, and questions were asked

in reference to it at the next meeting of the Bank, held on the 20th March, to which the Governor made this reply: "The arrangement made was not for a direct allowance of interest, but that after the Council had kept with the Bank a balance that was regarded as sufficiently remunerative, the Governors would lend it on behalf of the Council, and give them the profits less a charge for commission. That was almost an inevitable arrangement, as, if not agreed to, the money would be withdrawn. With reference to the larger question of allowing interest, there was no doubt that the Bank had suffered, and was suffering, from the competition of other banks, who allowed interest on deposits; but, at the same time, the advantages of security which the Bank of England offered had been recognized by the maintenance of the deposits at a fair amount. If, hereafter, they found they were not sufficiently supported, the question whether they should enter into competition with other banks might be raised for consideration, but at present no interest would be allowed on deposits."

There is one thing which had almost escaped a place in our records, but which should not be forgotten, namely, the establishment of the Bank of

England Club. The directors, with their usual consideration for the welfare and comfort of the clerks, permitted and assisted in the formation of this club. Luncheon and tea rooms, kitchens, etc., were built free of expense to the club on the roof of the Bank above the India Office, and opened in the year 1883. This accommodation was much appreciated by the staff; the number of members in 1891 or thereabouts was over 750.

On March 5th, 1891, final judgment was given in the House of Lords in favour of the Bank in the important Vagliano case, which had occupied the attention of the public and of the legal profession for a period extending over some years. In giving a brief account of the forgeries on Messrs. Vagliano Brothers and the litigation which followed we must go back some years, which shall be done in the next chapter.

CHAPTER XVIII.

1887–1892

The Vagliano case—Glyka's forgeries—Action in Court of Queen's Bench—Judgment—The Bank appeal—Appeal dismissed—Public opinion—Bank of England *v.* Vagliano Bros. in the Lords—Final victory of the Bank—Threatened panic—The Baring Crisis—The Barings—Argentine finances—Collapse of Baring Bros. & Co.—Application to the Bank—Action of the Bank—Guarantee fund—The new Baring Company—Praises awarded to the Bank—Freedom of the City to Mr. Lidderdale—Banquet at the Mansion House—Barings' enormous liabilities—Run on the Birkbeck Bank—Queensland loan controversy—Management of the National Debt—Increase of Governors' salaries.

MESSRS. VAGLIANO BROTHERS, well-known Greek merchant-bankers, had kept their account at the Bank of England for many years. Their account was a large one, as much as £3,000,000 having passed through it in one year. All went on as usual until between 18th February and 12th October, 1887, when their clerk, Anthony Isidor Glyka, a young man of about thirty years of age, who occupied a responsible position for which he received the paltry salary of £180 a year, robbed

them of some £70,000. He obtained this money by a most ingenious system. He suppressed certain foreign letters and substituted forged letters of advice to tally with his forged bills, and he forged bills of exchange and all the endorsements on them. So cleverly was the work executed that he obtained his employers' signature to the acceptances without difficulty. He forged twenty-seven letters of advice purporting to have come from Messrs. Vacina, of Odessa, who were correspondents of Vagliano, to the effect that Messrs. Vacina had drawn bills upon the latter firm, which bills were in reality the forgeries of Glyka. The bills which were the cause of Messrs. Vagliano's action against the Bank were forty-two in number; they were placed by Glyka from time to time among genuine bills before Mr. Vagliano, who signed the acceptances of the whole of them with little or no examination, making them payable at the Bank of England in the usual way. When accepted the bills were put in an open basket in Glyka's room ready for the messengers who should call for them; while they were there Glyka abstracted the forged bills, kept them till they became due, and then presented them at the Bank counter for payment. Some he presented in person, and the remainder he

got the clerks of stockbrokers through whom he speculated to present for him, and he took the money of them. As bills of exchange, for large amounts especially, are usually presented by a banker, the cashier in the first instance referred the matter to his superior, who, finding the bill advised in the ordinary manner, gave authority to pay it. The frauds were detected through Glyka having omitted to insert the name of the drawer in one of the bills, and this led to inquiry. After Glyka's arrest a number of india-rubber stamps bearing the names of several firms abroad, and the intercepted letters from Vacina, of Odessa, were found at his lodgings.

At the Guildhall, on October 13th, the prisoner was charged with "forging and uttering," and was committed for trial. On the 26th of the same month he was brought up for trial; he pleaded "Guilty," and was sentenced to ten years' penal servitude.

Before the close of the year Messrs. Vagliano commenced proceedings against the Bank for the recovery of the money. The trial of the action was looked forward to and afterwards followed with great interest, as many important points as to the liability

incurred by bankers in paying their customers' acceptances were raised by it. The case came before the Court of Queen's Bench in June and July, 1888. The plaintiffs claimed a declaration that they were entitled to have their current account with the defendants credited with £71,500, the amount of certain bills of exchange, viz., those forged by Glyka.

Counsel on behalf of the Bank pleaded in defence that they had received from the plaintiffs advice notes respecting these bills; the bills, when paid, were returned to the plaintiffs with their pass-book, with entries duly debited to them, with the bills as vouchers for the debits; plaintiffs kept the vouchers and never objected to the debits; that though the plaintiffs suspected forgeries and irregularities were committed with regard to their bills, and ought, with reasonable care, to have discovered them, they omitted to do so, or to give the defendants any notice of their suspicions, and thereby induced the defendants to pay the bills; that the plaintiffs therefore were stopped from denying the validity of the payment of the bills and the debiting of the amounts of the same. Notwithstanding this defence, the judges, following the precedent in the case of

Robarts *v.* Tucker,[1] pronounced in favour of the plaintiffs, but gave leave to the defendants to appeal. The general opinion of the public was that the decision was unsatisfactory.

The case of the Governor and Company of the Bank of England *v.* Vagliano Brothers was argued in the Court of Appeal before the Master of the Rolls, Lords Justices Cotton, Lindley, Bowen, Fry, and Lopes, on March 9th and May 21st, 1889. Again Messrs. Vagliano won the day, and the appeal was dismissed with costs. The Master of the Rolls pronounced in favour of the plaintiffs, but the majority in favour of the defendants. Still dissatisfaction was expressed by various organs of public opinion. *The Bankers' Magazine* for December, 1888, said:

"We leave it to our readers to say whether business could possibly be carried on according to the methods suggested by the judges and the present facilities to customers continued. It is obvious that this would not be possible."

Of course the Bank carried their case into the

[1] In this case it had been decided that when the endorsement on a bill has been forged, and the banker pays the bill to the wrong payee in the belief that the endorsement was genuine, he cannot debit the customer with the amount paid.

House of Lords. The appeal of the Bank against the decision of the Court of Appeal was heard by their Lordships on June 15th, 1890. The appellants —the Bank of England—were represented by the Attorney-General, Mr. H. D. Greene, Q.C., Mr. Poland, and Mr. Bray; and there appeared for the respondent Mr. Vagliano, who traded under the name of Vagliano Brothers, Sir Charles Russell, Q.C., Mr. Finlay, Q.C., and Mr. W. F. Hollams. The case was adjourned, and again argued June 17th, 19th, 20th, 23rd, 24th, and 26th; the decision was not given till March 5th the following year—1891. The former decision of the Court of Appeal had been a good deal influenced by the fact that Glyka, the better to accomplish his fraud, had inserted in the bills the name of C. Petridi & Co., a firm in Constantinople known to Vagliano Brothers. The wording of the Act is open to more than one interpretation where it says that "Where the payee is a fictitious or non-existing person the bill may be treated as payable to bearer." The majority of the law Lords, in giving judgment in favour of the Bank, took a rational and common-sense view of the case. The name C. Petridi & Co. was none the less fictitious as *payee* because there happened

to be a firm of that name in Turkey. Had Glyka inserted the name of T. Smith & Co. it would have been none the less "fictitious or non-existing," although there might be a dozen firms trading in that name. In fact, every one of the bills in question was wholly fictitious, except the acceptance bearing Messrs. Vagliano's genuine signature, on which the Bank paid according to advices duly received. As a writer of the time said:

"The House of Lords has decided that a fiction written in the form of a bill of exchange upon an oblong piece of paper, stamped with a bill stamp, is not the less a fiction because its author has chosen to insert the name of a real person as payee, though never intending that such real person should, in fact, be the payee."

The question of supposed negligence was of more practical importance to bankers than that of endorsements. On this point also the Lords reversed the finding of the Court below, and decided that the Bank had not been guilty of negligence in paying the bills so as to prevent them debiting their customer with the amount paid. Although the decision of the Lords was considered by commercial men to be the right and just one, it was regretted that the judges were so far from being unanimous.

The respondents (Messrs. Vagliano) were ordered "to pay to the appellants (the Bank) the costs of the proceedings in the House and in the Court below."

In reviewing the events of the years 1890–1 we have to consider another serious crisis; but, unlike the Overend-Gurney crisis of 1866, this one did not end in panic. Had events been left to take their course unchecked, probably the most widespread panic that had ever occurred would have happened; but such a catastrophe was averted, principally by the timely intervention of the Bank of England, under the guidance of Mr. Lidderdale, the Governor.

The period is known as that of the Baring Crisis. Messrs. Baring Brothers & Co. had long been known as a firm of the highest standing as foreign bankers dealing largely in American securities. Members of the Baring family had at sundry times occupied seats in Parliament. The Right Honourable Lord Revelstoke, the principal partner in the firm, was a director of the Bank of England. Nothing dishonourable had been charged against him; but being of a sanguine temperament, he had allowed his firm to go far beyond the bounds of prudence in their speculations. "Lord Revelstoke," said a writer at the time of the crisis,

"no longer acts as a director of the Bank of England. The qualification of a director is £2000 Stock, a security which is just now worth £6600. As the assets of the partners in the liquidating firm of Baring Brothers & Co. were pledged to the guarantors, the late head of that firm has ceased to hold the necessary qualification, and is therefore not entitled to a voice in the councils of the Bank. It does not appear that any public steps were taken to exclude Lord Revelstoke from future meetings of directors of this institution, and he has throughout acted so honourably that nobody would dream of putting a slight upon him."

During the four or five years which ended in 1889 a rise in the market value of public securities had been in progress; in 1890, however, this rise gave place to a depression. South American securities, following the general tendency, went down in price, the fall being as great as 25 per cent. in all Argentine Stocks. England had invested a large amount of capital in the Argentine Republic, which was regarded as a progressive and prosperous State. Argentine affairs were the ultimate cause of the Baring collapse. The financial affairs of Argentina assumed an ominous aspect in May and June, 1890,

when the negotiation for the sale of the Buenos Ayres Western Railway to an English syndicate fell through. Matters came to a head when Dr. Plaza, as agent for the Argentine Government, endeavoured to induce Messrs. Baring Brothers & Co. to negotiate a new loan. The proposal seemed absurd in the circumstances in which the Government was placed at the time, but unfortunately Dr. Plaza had a hold on Messrs. Baring in their liability to provide a sum approaching to £6,000,000 for the carrying on of the Buenos Ayres drainage and water works. *The Daily Graphic* of November 18th (which gives a portrait of Mr. Lidderdale and a sketch of a scene in the Bank Parlour), says:

"An appeal for assistance was made to the Bank of England. Fortunately, the conditions under which the management of the great national institution is conducted kept them free from entanglements from which so many firms and private individuals have suffered. The crisis which was thus brought about by an unusual style of financing had reached a point at which it assumed the magnitude of a national question. Not even the Bank of England, having regard to the responsible position which it holds, could venture to give its credit to the relief of a banking house, whose liabilities were said to exceed twenty millions, without something in the nature of a sanction by the Government.

"It was not until the Chancellor of the Exchequer and the Prime Minister had been consulted that the Bank consented to apply so much of its credit and assets as might be necessary to meet the pressing and increasing demands upon Messrs. Baring Brothers."

It was on Saturday, November 8th, that the critical position in which the great house of Baring was placed was made known in confidence to the directors of the Bank. Those gentlemen considered for nearly a week the difficult problem of how to avert a national calamity. On the afternoon of Friday, November 14th, a meeting of the chief commercial men of the City was held at the Bank of England and prolonged into the evening; for it was recognized that if the meeting separated without coming to the right decision, the following day would witness a greater panic than had ever before occurred. The course of action resolved upon was that the Bank should undertake the liquidation of Messrs. Barings' affairs, and that other firms should give the Bank a guarantee against loss. It was believed that if time were given for realization the Baring securities would enable that firm to pay 20*s.* in the pound and would leave a surplus. Before the meeting separated guarantees to the amount of

£4,000,000 had been subscribed, and shortly afterwards the fund amounted to over £15,000,000. The document finally agreed upon was as follows:

"GUARANTEE FUND.

"BANK OF ENGLAND, *November*, 1890.

"In consideration of advances which the Bank of England have agreed to make to Messrs. Baring Brothers & Co. to enable them to discharge at maturity their liabilities existing on the night of the 15th of November, 1890, or arising out of business initiated on or prior to the 15th of November, 1890,

"We, the undersigned, hereby agree, each individual, firm, or company, for himself or themselves alone, and to the amount only set opposite to his or their names respectively, to make good to the Bank of England any loss which may appear whenever the Bank of England shall determine that the final liquidation of the liabilities of Messrs. Baring Brothers & Co. has been completed so far as in the opinion of the Governors is practicable.

"All the guarantors shall contribute rateably, and no one individual, firm, or company, shall be called on for his or their contribution without the like call being made on the others.

"The maximum period over which the liquidation may extend is three years, commencing the 15th of November, 1890."

A Joint-Stock Company was subsequently formed for the purpose of taking over and carrying on a portion of Barings' business, under the title of Baring Brothers & Co., Limited.

The Times of November 17th said: "It is universally acknowledged that the Bank of England have earned the thanks of the whole community for the skill and promptitude with which they have brought to a satisfactory conclusion a most difficult and complicated piece of business." Numerous testimonials of public appreciation of the conduct of the Bank and the Governor also came from other quarters.

On December 30th, Mr. H. R. Price, the Chairman of the Stock Exchange, Mr. S. Underhill, the Deputy Chairman, Mr. Francis Levien, the Secretary, and several members of the Committee, attended on Mr. Lidderdale as a deputation from the Stock Exchange and presented him with an address, which said: "On behalf of the members of the Stock Exchange, the Committee, as their representatives, desire to express their high appreciation of the admirable and effective manner in which the recent monetary crisis was met by yourself as Governor of the Bank of England, ably supported as you were by your co-directors," etc. etc. The document concludes with offering the Governor and the directors "the very best thanks of the community they (the Committee) represent."

Mr. Price, in his introductory remarks, said: "We are fully sensible of the great services rendered by the Governor and his colleagues the Deputy Governor and the Directors of the Bank of England in the recent unparalleled crisis. We believe that if the Bank had not acted in the decided way they did a great disaster would have befallen the mercantile community. The Bank of England, of which every Englishman is proud, in its long career of wise, judicious, and able management, has never rendered greater service than it has in 1890. We do not presume to speak for other bodies than our own, but we believe our views on this occasion are entertained in every circle of business men in the country."

The Governor, in accepting the address, acknowledged the willing and cheerful assistance received from others; "In the first place, from Lord Rothschild, whose influence with the Bank of France was of such assistance to us in obtaining those means, without which we could not have rendered the aid we were enabled to give. Secondly, the help of Her Majesty's Government in the assurance of support if required, a support which it has happily not been necessary to claim.

Equally valuable was the prompt assistance of those who subscribed to the guarantee fund, without which it would have been impossible even for the Bank of England to have undertaken so enormous a responsibility."

Public congratulations took a substantial form when at the Guildhall, on May 6th, 1891, Mr. Lidderdale was presented by the Guild of Grocers with the freedom of the City of London in a casket, which is thus described: "The casket is eight inches long, six inches high, and four inches wide; the design and ornaments of the casket have been suggested by some of the leading architectural features of the Bank of England; it is made of 18-carat gold, enriched with coloured enamels, and inlaid with panels of precious stone. On it is engraved the words: 'Presented to William Lidderdale, Esq., Governor of the Bank of England, by the Corporation of the City of London, together with Freedom of the City. Guildhall, May 6th, 1891.'" In the evening the Lord Mayor and Lady Mayoress entertained the Governors and Directors of the Bank at a banquet in the Mansion House. After the Lord Mayor had proposed the health of the Governor and

Directors of the Bank of England, coupled with the name of Mr. Lidderdale, and Mr. Lidderdale had replied to the toast, Mr. Goschen, the Chancellor of the Exchequer, and Mr. David Powell, the Deputy Governor of the Bank, spoke.

The last words we have to record of the Baring crisis were spoken at the Bank meeting on September 18th. The Governor, the Right Honourable W. Lidderdale, who occupied the chair, said: "When the Bank of England first undertook the supervision of the liquidation, the liabilities amounted in round numbers to twenty-one millions sterling. To this had to be added £7,200,000 for liabilities of business entered upon previous to November 15th last, making £28,200,000 due to the public, the bulk of it maturing within six months. The cash advances to Messrs. Baring Brothers reached £7,500,000. He did not expect the liquidation would involve the guarantors in any loss."

A Building Societies crisis began on September 2nd, when the London and General Bank, Limited, which was an offshoot of the Liberator Building Society, stopped payment. Jabez Spencer Balfour, at that time M.P., but now a convict, was chairman of that bank and of sixteen other companies. The

distrust which followed the Liberator collapse extended to nearly every other Building Society, including the Birkbeck Building Society and the bank connected therewith. A fierce run was made upon the Birkbeck Bank, although that company had over a quarter of a million cash balance at their bankers, and had assets of nearly six millions, being nearly £300,000 more than their liabilities. However, when it got abroad that the Birkbeck had over a million pounds in the Bank of England, the unreasonable run ceased. As a matter of fact that Society had at that time £1,638,000 invested in Consols—a portion of which they sold in order to meet the run upon them.

During the latter part of the year 1891 there was some controversy between the Bank of England and the Queensland Government in respect to the Queensland loan. A speech was made by Sir Thomas McIlwraith, the treasurer of the Queensland Government, in which he charged the Bank of England with dishonourable conduct and breach of faith in regard to the Colony's loan. On the report of that speech reaching the Governor of the Bank, he wrote to request a public withdrawal of that "unfounded charge." In consequence of the

Queensland Government failing to withdraw and apologize for that charge he wrote to Sir J. F. Garrick, the agent to the Queensland Government, and informed him that the relations which had subsisted between the Queensland Government and the Bank of England must be terminated.

On January 25th, 1892, Mr. Lidderdale wrote a long letter, which appeared in the London papers, giving a history of the affair. This letter we give on a later page.[1] In regard to this matter the *Australian Insurance and Banking Record* said: "It is no part of the business of the Bank of England to guarantee the floating of Colonial Government loans, and if the Bank gave the alleged promise it hardly acted within the bounds of prudence . . . We think Sir Thomas McIlwraith must have fallen into a misapprehension."

Mr. Lidderdale kept in office another year, at the request of the Bank, in order to complete the negotiations the Government had entered into with him in regard to the remuneration for the management of the National Debt.

At a Court of the Directors held June 16th, 1892, the proposals of the Chancellor of the Exchequer

[1] See Appendix.

in regard to the management of the Debt were agreed to be recommended for adoption by the proprietors. At a special general meeting of the proprietors held on June 16th, Mr. David Powell, the Governor, proposed that the proposals of the Chancellor of the Exchequer be accepted, and the motion was carried. The proposed changes would produce a saving to the taxpayers of the country of £45,700.

At the half-yearly meeting of the Bank held on September 15th, Sir John Lubbock, Bart., brought forward a motion to increase the annual sum granted to the Governor and Deputy Governor for their services. He proposed that the remuneration of the Governor should be £2000, an increase of £1000; and the remuneration of the Deputy Governor £1500, an increase of £500. Sir John remarked on the increase of business and the attendant responsibilities of late years, and reminded the meeting that the Governor and Deputy Governor were at the Bank every day and all day long, and also that they gave up their holidays, never having during their term of office a reasonable vacation. The motion was carried.

CHAPTER XIX.

1893–1894.

Increase of Note issue—Women Clerks—Building alterations—Daily and Nightly Watch—Resignation of the Chief Cashier—Criticisms and comments—*Punch's* cartoon—New Appointments—Conclusion.

ON January 29th, 1894, another Order in Council was dated from Osborne House, Isle of Wight, authorizing the Bank to increase the issue of notes to the extent of £350,000.

An innovation was made during this year by the employment of female labour in the clerical work of the establishment. Now that advertisements are appearing in the newspapers for "lady cooks," "lady housemaids," and "lady generals," the official term, "Women clerks," seems to have been well chosen. Miss J. E. Hogarth, the lady who was engaged to be the superintendent of the new staff, entered the Bank in 1893 to become acquainted with her new duties, and in 1894 she had the oversight of some twenty female clerks. The number has since been increased to forty.

The works department of the Bank has had

additional employment during the last few years. The adoption of the electric light and its introduction to the various offices led to a considerable amount of work, which is still being carried on. A vast amount of printing is done within the walls of the Bank; besides notes, dividend warrants, India rupee notes, postal orders, and other things are printed there. The business of this department, under Mr. W. J. Coe, had so much increased that new machines had to be erected. In order to provide room for them and for the workers, Mr. Coe was put into possession of the Accountants' Bank Note Office; the work of that office was transferred to what had been the Library and Reading-room; and for the accommodation of the members of the Library and Literary Association, convenient rooms were built in the neighbourhood of the Club and Nightly-watch rooms.

Other means are provided for the security of the Bank besides the military guard already mentioned. These are the daily and nightly watches which are kept by members of the staff. On each Sunday and holiday throughout the year the gentleman whose turn it is to take the day-watch comes on duty in the morning, and cannot leave until he has given up the keys in the evening to those who come

on the night watch. For many years it has been the rule for the Chief Cashier or the Deputy to reside on the premises; but recently Clerks-in-Charge have been appointed who are qualified to take the responsibilities of the Resident Officer should he be absent from any cause. Besides the Clerk-in-Charge (who has his separate rooms), two of the staff come on duty every evening, and remain in the building throughout the night. They take rounds at stated periods, each accompanied by a porter, and see that all is properly secure and that all danger from fire and gas is avoided so far as possible. Between nine and ten o'clock one of these gentlemen is at liberty to retire to rest till 3 a.m., when he has to get up and release his companion from duty. Before the opening of the Bank Club in 1883 the men on the nightly watch were required to provide their own meals, with the assistance of the porters; but soon after that date the directors graciously relieved them of that burden, and made arrangements that dinner and breakfast should be served to them in the nightly-watch room. Besides those above mentioned, messengers, porters, firemen, etc., take their turns on duty in various parts of the building.

In November, 1893, Mr. Frank May, who had been Chief Cashier for a period of twenty years, resigned under circumstances which caused a considerable amount of excitement in the commercial world, and gave rise to numerous comments in the Press. *Punch* of January 13th, 1894, issued a clever cartoon, entitled "A Dirty Crossing," which we here reproduce.

A complete history of the events attending Mr. May's resignation cannot be written at present. We must therefore content ourselves with recording the fact that the directors felt it to be necessary to make sundry alterations and restrictions, and that the following appointments shortly followed. In May, 1894, Mr. Ernest Edye, the agent of the Leeds branch, was appointed to the newly-created post of Chief Auditor, and two or three clerks were fixed as his assistants in the new auditor's office. Mr. Horace G. Bowen, who for some years had been Chief Accountant, was appointed to succeed Mr. May as Chief Cashier, and Mr. J. G. Nairne was made Deputy Chief Cashier. Mr. G. F. Stutchbury was appointed to succeed Mr. Bowen as Chief Accountant.

We have now traced the career of the Old Lady of Threadneedle Street during her long life of 200

A DIRTY CROSSING.

The Old Lady of Threadneedle Street (log.)—"O dear, O dear! I wish I were out of this nasty mess!"

(Copied from "Punch," by permission.)

years. For the sake of brevity many details of interest may have been omitted; but, we believe, no events of importance have been entirely overlooked.

An impartial student of the history of the Bank of England will admit that its establishment and continuance has been of immense benefit to the country. The high position England has maintained in regard to manufactures, commerce, and shipping, may largely be attributed to the advantages of a sound currency and a stable national bank. Changes in its methods may be made should the necessity arise; but the institution which has aided and guided the monetary affairs of the country for two centuries may be trusted to act ably and honourably until the necessity for its existence shall cease.

APPENDIX A.

Mr. H. C. MacCarthy, of the Public Drawing Office, has contributed the following items from his collection of cuttings from old newspapers:

Thursday, 3rd August, 1732.

"About one o'Clock the Governor, Sub-Governor, and several of the Directors of the *Bank*, came to their new Building in *Threadneedle-street*, to see the first Stone laid: And after they had viewed the Stone, on which his Majesty's and their several Names were engrav'd, the same was cover'd with a Plate of Lead, and that with the Base of a Pillar. They then gave 20 Guineas to be distributed among the Workmen."

Wednesday, 1st January, 1735.

"A Curious Marble Statue of K. William III. was set up in the great Hall of the Bank, when the Under Servants fired three Volleys with small Arms."

February, 1735.

"*On viewing the Statue of* K. William, *newly erected in the* Great hall *of the* Bank.

Inscrib'd to the Governors and Directors.

"So look'd the hero, leaping to the strand
To save from ruin this devoted land.
The slaves of *Rome*, in wretched bondage bred,
Like guilty traytors, at his presence fled;

Confounded, as with envious eyes they view'd
Unravell'd all their impious schemes of blood;
While joys too big, too strong to be compress'd,
In raptures burst from ev'ry *Briton's* breast.
ORANGE, repeated, fills the nation's voice,
While either shore reverberates our joys.
From southern cliffs to *Thule's* utmost bound,
ORANGE innumerable tongues resound.
The fair *Astræa* quits her sad retreat,
And *Justice* now regains her awful seat.
The *Laws*, distorted by tyrannick force,
Again resume their antient sacred course.
Again *Religion*, dress'd in native charms,
Supremely bright, invites us to her arms.
Our *Rights* confirm'd, our *Property* secur'd,
And dying *Liberty* to life restor'd:
These, all deriv'd from WILLIAM's grand design;
These, all entail'd in GEORGE's glorious line.
Look down, great prince! from thy celestial throne;
See! heav'n and earth thy gen'rous labours own;
Commerce, thy fav'rite, spreading thro' the world,
And *British* sails at either pole unfurl'd;
The grateful BANK thee their lov'd founder claim,
And raise this marble tribute to thy name.
Britannia's genius, hov'ring o'er the pyle,
Beholds serenely the commercial toil;
Surrounding nations eagerly unload
Their heaps of wealth in this secure abode;
Substantial gold for paper notes exchange,
Which sums immense in scanty lines arrange;
The sterling, by its native weight forsook,
Crouded by thousands in a slender book.

The bills that here their signature receive,
Pass the wide world, and *Jews* and *Turks* believe,
Trust *British* faith, and the extended fame
Of *England's* BANK; such sanction has its name!
To thee, great WILLIAM, all the glory 's due;
Favour'd by thee, the rip'ning project grew;
By men, like thee, wise, steady, just, and good,
Matur'd, at length on strong foundations stood;
The merchant's fund, the nation's ready aid,
The soul of credit, and the life of trade.
Still shall it flourish, still attract the tide
Of *Britain's* wealth and the whole world beside
While GEORGE protects—such worthy rulers guide."

J. M.

APPENDIX B.

(From the "Standard.")

THE BANK OF ENGLAND AND QUEENSLAND.

THE following letter has been addressed to the Agent General of the Queensland Government by the Governor of the Bank of England:—

"BANK OF ENGLAND, *25th January*, 1892.

"SIR,—On the 7th October last I addressed to you a letter calling attention to a speech made by Sir Thomas M'Ilwraith, Treasurer of the Queensland Government, in which he used language amounting to a distinct charge of dishonourable conduct and breach of faith on the part of the Bank in connection with the Colony's last Loan. Of this charge I requested a public withdrawal.

"I received from you last week copy of a letter from Sir S. W. Griffith, Chief Secretary of Queensland, which, while stating that Sir T. M'Ilwraith did not intend to suggest, and was not understood by his hearers to impute, any want of honesty or good faith on the part of the Bank, describes his language as merely a vigorous expression of disappointment at the failure of the Bank to render assistance their Government still understood to have been promised. This reply simply amounts to a justification of the Treasurer's attack, and is, of course, entirely unsatisfactory.

"Let me call your attention to the following extracts from Sir Thomas M'Ilwraith's speeches, which, taken as a whole, seem to the Bank quite inconsistent with the description given of them by Sir S. W. Griffith.

"In the speech which first came under notice, Sir T. M'Ilwraith said, 'I believe the Bank of England did not behave in the way that an honest Bank ought to have done.' Further on, after stating that the Bank had promised to subscribe £500,000, he says, 'Well, a syndicate was formed, and the Bank of England did not take one shilling of it.' Lastly, he told his hearers, 'The moment she (Queensland) trusts to the Bank of England, she will be sold in exactly the same way as they tried to sell us. I would not have the slightest faith in them.'

"In the course of another debate, reported in the Queensland papers of the 26th August, Sir Thomas M'Ilwraith declared, in reply to Mr. Morehead, 'What I said was that no honest Bank would have done so and so. I was perfectly accurate, and I might have used much stronger words.' And later, in answer to Mr. Archer, 'They (the Bank of England) stick to us when it pays them, and when it does not they throw aside their obligation.'

"On the 14th October, in the debate which arose in the Assembly upon the telegraphic announcement that the Bank demanded a withdrawal of his charges, Sir T. M'Ilwraith, after going out of his way to bring the absurd accusation that the Bank had made improper use of their knowledge of the amount of the tenders, gave his version of what had taken place and of the communications which had passed, and expressed himself thus:— 'The only result has been that the Bank of England has not kept faith with us. I was perfectly right in my statement of the whole of the facts. I confirm what I said, and I cannot possibly withdraw the words.' Towards the conclusion of the speech he repeats the charge of breach of faith as follows: 'I forgot to mention, I think, that the Bank of England not only did not subscribe to the Loan the first time, but they even declined to join the syndicate that took it up the second time. Their duty to have done it is perfectly clear.' He concludes by observing,

'I believe that the Bank of England did what it ought not to have done, and that any private man would have considered himself considerably aggrieved if any Bank in the world had treated him as the Bank of England treated us.'

"If his language has any meaning, the speeches of Sir Thomas M'Ilwraith to which I have referred accuse the Bank of direct breach of faith and of conduct unworthy either of a corporation or an individual, and I utterly decline to accept the explanation put forward by Sir S. W. Griffith.

"I will now put on record the real facts of the case, which differ greatly from the version given of them by Sir Thomas M'Ilwraith.

"The Bank of England made a conditional promise to give substantial assistance in raising the money required. That their understanding of what this involved did not differ widely from your own is shown by your letter to me of the 7th October, in which you state that if a deficiency of £700,000 or £800,000 had appeared in the tenders, you would have expected the Bank to make it up.

"There was no promise whatever to give any assistance unless the public failed to come forward; nor was there a promise to give assistance in any particular form, whether in that of a tender for Stock at the time of issue, of a temporary advance, or of a contribution to a syndicate.

"In his defence of Sir T. M'Ilwraith, Sir S. W. Griffith endeavours to limit his colleague's charges to the one point that, although it was well known to the Governors that the Colony had Debentures falling due on the 1st of July for £1,170,000, the Bank, when asked, after the failure of the Loan, to state definitely what amount they would give, only promised £500,000, thus leaving the Queensland Government in a difficulty. I have to remind you that at no time was it a question here of providing

only for the Debentures. The Bank had been informed in April that the Colony required a much larger sum and, after the issue had failed received from you, in reply to a direct inquiry, a communication stating the absolute minimum to be £700,000 beyond the £1,170,000, or £1,870,000 in all; and it was to provide at least this amount that, in conjunction with you, they addressed themselves. The Bank's contribution had no special reference to payment of the Debentures, and there was no reason why they should promise a larger amount than £500,000 until endeavours had been made by you to obtain contributions from other quarters.

"Messrs. Mullens, Marshall, and Co., the Bank's brokers—having first ascertained on what terms the Stock could be placed privately, and these terms having been agreed to—were instructed to secure subscriptions to the Loan, and were authorised to put the Bank down for £500,000 cash, equal to about £550,000 Stock. After an interval of about a week, the amount required had nearly been covered, but £170,000 to £180,000 was stated by Mr. Daniell to be still unplaced. The Governors at once assumed this balance, making the Bank's interest £670,000. When I. wrote my letter of the 6th October, I had for the moment forgotten the extra subscription, but the fact remains.

"The Colonial Treasurer not only stated repeatedly that the Bank did not take any of the Loan, but he also declared that it was finally placed not by their help, but by that of two gentlemen whom he named. That those gentlemen gave their best assistance I do not question, but your own letter of 12th June to the Chief Secretary does Messrs. Mullens, Marshall, and Co. only justice in saying that the Bank's brokers 'in greater part arranged the Syndicate.' Their charge for this service was paid by the Bank of England.

"As soon as it became known that the money required by the

Colony had been provided quotations for the Stock improved, and brokers and dealers became anxious to secure any that might be obtainable below market rates. A day or two later the Bank were asked by their brokers whether they wished to retain the Stock they had taken. There was every promise of one to two per cent. profit if the Governors ordered sales in the market, but it was felt to be unfitting that the Bank should derive advantage from the failure of the original issue, and Messrs. Mullens, Marshall, and Co. were allowed to part with the stock at cost price. I have already furnished you with copy of a letter in which they give their own account of the matter.

"As the final result of the operations, the entire Loan of £2,500,000 was placed, and the Colony received about £1,000,000 in cash beyond the amount of the Debentures. I think I have clearly shown that, directly and indirectly, the Bank materially contributed to this result, and that the charge of having left the Queensland Government in the difficulty to which Sir S. W. Griffith particularly referred is absolutely unfounded. That when all the money had been raised the Bank felt free to part with Stock which others were anxious to take in no degree lessens the service they rendered the Colony, a service which I believe will be recognised there when the real truth is known. As little does it warrant the statement that they did not give the assistance promised.

"There are other points on which Sir Thomas M'Ilwraith was unjust to the Bank, but I pass them by.

"Although the substance of my present explanation was before your Government when Sir S. W. Griffith wrote on the 27th November, I learn with regret from your last letter that no further communication from him on the subject is to be looked for. It remains for me, therefore, to deal with the fact that the Government of Queensland have failed to withdraw and to

apologise for the unfounded charges brought by their Treasurer against the Bank, and I have in consequence to inform you that the relations which have subsisted between your Government and the Bank of England are at an end, except in so far as their continuance is required by the service of the existing Loans, which, being in the hands of the public, cannot be interfered with. I am, Sir, your obedient servant,

"WILLIAM LIDDERDALE, *Governor.*

"SIR JAMES F. GARRICK, K.C.M.G., Q.C.,
"Agent-General to the Queensland Government."

The following is the letter from Messrs. Mullens, Marshall, and Co. referred to :—

"4, LOMBARD STREET, LONDON,
"*January 16th*, 1892.

"DEAR SIR,—With reference to the arrangement of the last Queensland Loan, we beg to state that the facts, so far as we were concerned in them, were as follows :—

"We received instructions early in June to ascertain on what terms the Loan, of which only a small portion had been taken when publicly offered, could be placed in the market, and we communicated the result of our enquiries to Sir James Garrick, the Agent for the Colony, and to yourself. On hearing from Sir James Garrick, through you, that his Government accepted the terms named, we proceeded to find subscribers for the Stock, being authorised by the Bank of England to enter their name for £500,000 cash (say £550,000 Stock). At the end of about a week we were still short of the amount required by £170,000 to £180,000, and on our Mr. Daniell communicating this to you, you immediately desired him to put the Bank down for the balance. Either the following day or the day after a demand

arose for the Stock, and Mr. Daniell asked you whether the Bank wanted to retain what they had taken; and being informed that they did not desire to do so, or to make money out of it, we allotted to others first a part of the £670,000, and the next day the balance of that amount.

"The subscription given by the Bank was of very material assistance to us in placing the Stock, enabling us to begin the operation by saying that we took nearly a quarter of the amount.

"We are, dear Sir, yours faithfully,

"MULLENS, MARSHALL, AND CO.

"To the Governor of the Bank of England."

INDEX

A

Advances to Government, 110
— on goods, 127
Agent, Robbery by an, 245
Aislabie's punishment, 44
Althorp, Lord, 146
Anne, Queen, 28, 33, 34
Answers' prize, 247
Astlett's frauds, 92
Atlas, The, 157
Austen, C. D., 248
Australian Insurance and Banking Record, 273

B

Baldwin, W., 166
Balfour, Jabez S., 271
Bank Act, 150
— — suspended, 159, 198, 214, 277
— buildings, 45, 65, 165, 275
— Charter, 18, 25, 30, 48, 59, 71, 91, 137, 156, 192, 201, 217
— Circulation, 56
— Holidays Act, 217
— Library, 168
— Notes (*see* Notes)
— of Credit, 7
— of France, 148, 200
— Post Bills, 47
Bankers' Magazine, 151, 260
Banking reform, 124, 128
Banks, Early European, 3
— Joint Stock (*see* Joint)
— Private (*see* Private)
Barclay, Bevan & Co., 208
Baring Brothers & Co., 264
— — — Limited, 267
— crisis, 261
— Guarantee Fund, 267
Barnard's Bank, 209
Barnett, Hoare & Co., 179
Bates, R. M., 183
Benham, Canon, 65
Bentley, John, 199
Bibliography of the Bank of England, 65
Bill brokers, 193, 199
Bimetallism, 227
Birch, J. W., 229
Birkbeck Building Society, 272
Black Friday, 53, 211
Blydenstein & Co., 222
Bois, Mr., Evidence of, 180
Boulton's Factory, 93
Bowen, H. G., 278
Bradbury, Agnew & Co., Ltd., viii
Branch Banks, 129
Bubble companies, 41, 119
— South Sea, 33
Bullion Committee, 97
— Large stock of, 115
Burgess's robbery, 153

C

Capital increased, 25, 31, 55, 105
Cash payments suspended, 83
— Short supply of, 85
Chamberlayne's Bank, 8

Chapman, D. B., 180
Charles I., 3
— II., 3
Charter (*see* Bank)
Chartist riots, 165
Child & Co., 6
City of Glasgow Bank, 195
Claims on the Government, 88
Clearing House established, 61
— — Bank joins the, 207
Clerk-in-charge, 277
Clerks and Money lenders, 202
Clerks' Club, 255
Clerks discharged, 116
— Female, 288
— fined, 166
Clerks' holidays, 167
— Library, 168
Clifford, Sir Thomas, 6
Coe, J., 227
Coe, W. J., 276
Cole, J. W., 175
Collet, Sir M. W., 244
Commerce and Banking, 2
Committee, Bank Charter, 192
— Bullion, 97
— Finance, 93
— of both Houses, 157
— — Lords, 88
— — Secrecy, 90, 137
— Select, 87
Conversion of Stocks, 242
Cruikshank's caricature, 107, 133
Culloden, Battle of, 52
Cumberland, Duke of, 52

D

Daily News, The, 182, 200, 250
Daily Graphic, The, 107
Daily Watch, 276
Daniell, Mr., 287, 289
Darien Company, 10
Davidson and Gordon, 176
Dead weight, The, 116
Dennistoun & Co., 194
Directors' remuneration, 232, 274
"Dirty Crossing, A," 279
Dobree, Bonamy, 202
Dollars issued, Bank, 93
— — Spanish, 86

E

Economist, The 157, 181
Edye, E., 278
Elder's robbery and suicide, 153
Engrafting Act, The, 25
Erskine's defence, 92
Evans, D. M., 183
Evans' loss of notes, 146
Exchequer bills, Circulation of, 30
— — Forged, 149
— — Funded, 107
Exhibition of 1862, The Great, 204

F

"Facts, Failures, and Frauds," 183
Fauntleroy's forgeries and execution, 116
Fenton's forgery, 71
Forbes, Forbes & Co., 175
Forgeries, 58, 66, 71, 92, 94, 116, 135, 204, 219, 232, 256
— Prosecutions for, 105
Forgery, Act for prevention of, 102
— Opposition to capital punishments for, 106
— Punishments for, 26, 48, 60
Forrester, Daniel, 153, 177
— John, 153
Four o'clock closing, 163
Fox, C. J., 87
France, Encroachments of, 27

Francis, Colonel, 223
Francis' *History of the Bank*, 15, 135
Franco-German War, 217, 218
Funds, Conspiracy to affect the, 104

G

Garrick, Sir J. F., 273, 292
Gattie *v.* Bank, 234
— — Grenfell, 234
George I., 34
Gibbs, H. H., 227
Gilbart, J. W., 143, 151
Gilbart's *History of Banking*, 111, 163
Gladstone's bill, 153
Gladstone, W. E., 201, 214
Glyka's forgeries, 256
Goderich, Lord, 131
Godfrey, M., 16
— Death of, 21
— Pamphlet by, 16
Gold, High price of, 102
— Light, 150, 249
— payments resumed, 111
— Plethora of, 217
— weighing office, 250
Goldsmiths, 3
Goldsmiths, Conspiracy of, 28
Gordon, Lord George, 62
— riots, The, 61
Goschen, J. G., 242, 271
Gosling's Bank, 6
Great city frauds, The, 175
Greene, B. B., 223
Grenfell, H. R., 222, 230, 235
Gresham, Sir Thomas, 25
Griffith, Sir S. W., 284, 288
Griffiths, Rev. Dr., 185
Grocers' Hall, The, 21
Groves & Sons, T., 176
Grundy's action, 106
Guest's frauds, 59

H

Hanging for forgery, 58, 133
Harley, Lord, 37
Harman, Evidence of Mr., 120
Herries, Mr., 131
High price of Bank stock, 245
Highway robbery of notes, 58
Hoare & Co., 6
Hogarth, J. E., 276
Holland, H. L., 213
Hubbard, J. G., 170
Hunt, T. N., 213

I

Indian Mutiny, 194
Interest, 15, 16, 35
— Exorbitant, 203
— Loss of, 94
— on deposits, 253
— reduced, 16, 115, 132, 169, 242

J

Jacobite rebellion, 49
James II., 3, 4, 24
Joint-stock banks, 128, 141, 151, 170, 192
Joint-stock Discount Co., 209
Jones, J., 237
Jopling's discovery, Mr., 142

K

Kenealy, Dr., 216
King, Lord, refuses Bank notes, 100

L

Laing & Campbell, 177
— Seaton, 175, 177
Lamb, Samuel, 5
Land Bank, The, 6
Law Courts Branch, 249
Lawson's *History of Banking*, 173

Levien, F., 268
Levi, Professor Leone, 228
Lewis, G. C., 198
Lidderdale, W., 245, 263, 270, 273, 284
Light Gold, 150, 249
Limited Liability Companies, 208
Liverpool Borough Bank, 194
— Lord, 124, 127
London and Eastern Banking Corporation, 190, 193
— and Westminster Bank, 143
— Missionary Society, 75
Loyalty loan, The, 79
Lubbock, Sir J., 217, 232, 274
Lyall, G., 223
Lyndhurst, Lord, 136

M

Macaulay's *History of England*, 5, 7, 17
MacCarthy, H. C., 281
McCulloch's "Commercial Dictionary," 55
McIlwraith, Sir T., 272, 284
Macksworth, Sir H., 29
Macleod, H. D., 142
Magnitude of Bank work, 229
Maltby, C., 175
Martin's Bank, 6
May, F., 278
May, H., 239
Mercers' Hall, The, 21
Michie, Mr., 197
Mine adventurers, The, 29
Mississippi bubble, The, 35
Monetary Conference, 227
Monopoly of the Bank, 18, 30, 128
Montague, Mr., 17
Morland, George, suspected, 69
Morning Herald, The, 193
Morris, J., 161
Mullens, Marshall & Co., 287, 289

N

Nairne, J. G., 278
National Debt, The, 35, 37, 51, 115, 132, 169, 201, 236, 242, 273
Neaves, Mr., 193
New Bank proposed, 89
Newland, A., 93
Newton, Sir I., 24
Nightly Watch, 276
"No Popery" riots, 61, 65
North American failures, 194
North, Lord, 71
North, Sir D., 6
Northern and Central Bank, 146
Norwich and Norfolk Bank, 146
Notes, Bank of England, Alteration in form of, 172
— — Authorized amount of, 152
— — Detention of forged, 106
— — Forged, found on Clapham Common, 237
— — Forged (*see* Forgeries)
— — Hoarded, 150
— — Increased issues of, 173, 209, 241, 275
— — Left in a Cab, 146
— — Legal tender of, 139
— — Numbers of, altered, 167, 233
— — £1, Discovery of, 123
— — Paid in Gold, 111
— — Paid in Sixpences, 54
— — Payment in Gold prohibited, 108
— — Signature printed, 111
— — Split, 166
— — Trade in forged, 94
— Country, 114, 173

O

Old Patch, 66
Opposition to the Bank, 15, 28, 29, 89

Overend, Gurney & Co., 135, 176, 179, 199, 208, 210
Overend, Gurney & Co., Limited, 208, 215

P

Palmer, J. H., 121
Palmerston, Lord, 198
Panics, 54, 74, 98, 118, 156, 193, 209
Paterson, W., 7, 8, 14
Paul, Sir J. D., 183
Peel, Mr., 109
Peel, Sir R., 109, 135, 151
Pitt, W., 73, 75
Pole, Sir Peter, 119
Portal's exhibits, 219
— mills, 173
— — Robbery from, 204
Powell, David, 271, 274
Prescott, H. J., 161
Price, Charles, 66
— Hilton, 6
— H. R., 268
Private Bankers, 170
— — Committee of, 170
Pultenay, Sir William, 89
Punch, 278

Q

Quakers and Dissenters, 20
Queensland Government, The, 272, 284

R

Raikes', Mr., failure, 145
Railway embarrassments, 215
— mania, 156
Rate of discount, alteration objected to, 155
Re-coinage, 24
Redpath's frauds, 189
Reduced Three Per Cents., 57
Reform (*see* Banking)
Reform riots, 132
Report of the Commons' Committee, 163
— of the Lords' Committee, 164
"Rest," The, 45
Restriction Act, 89, 109
Revelstoke, Lord, 262
Richards, Evidence of Mr, 119
Robarts, Lubbock & Co., 151
Robarts *v.* Tucker, 260
Robinson, Proposal of Mr., 124
Robson's frauds, 189
Romilly, Sir Samuel, 135
Rothschild, Lord, 269
— N. M., 135
Rotunda, The, 239
Royal Bank of Liverpool, 215
— British Bank, 190
Runs, 45, 53
Russell, Lord John, 136, 159, 214

S

Sacheverell riots, 31
Sadleir Brothers' frauds, 187
— John, Confession of, 189
— — Suicide of, 187
Sanderson & Co., 195
— Mr., 135
Saturday early closing, 239
Seizure of money in Mint and Exchequer, 3, 49
Shrubsole, W., 75
Silver, Fall in, 227
Smee, Alfred, 173, 204
— W. R., 149
Solemn Resolution, A, 77
South Sea Bubble, 37
Sovereigns issued, 111
Splitting Bank notes, 116
Standard, The, 284
Stanhope's, Lord, resolution, 101
Stephens' frauds, 190
Stephens, T. A., 65

Strahan, Paul & Bates, 182
Stuckey, Vincent, 151
Stutchbury, G. F., 278
Subscriptions to charities, etc., 230
Suffell *v* Bank, 233
Suspension of payment, 23, 83
— — Evidence of Governor, 86

T

Ten o'clock opening proposed, 170
Times, The, 155, 195, 209, 210, 214, 268
Tokens, 99
Tomkins, Action brought by Mr., 149
Truth, 247
Turner's frauds, 112

U

Unclaimed dividends, 71, 105
Underhill, S., 268

V

Vagliano case, The, 255
Vansittart's resolution, 100
Vaughan's forgeries, 58
Victoria, Queen, 230, 241
Voluntary contributions towards the war, 91

W

Waugh, Frauds of Colonel, 190
Wellington, Duke of, 132, 136
Western Bank of Scotland, 195, 196
— Branch, Frauds on the, 219
— — opened, 191
Whitfield, E. E., 3, 47
William III., 21, 26
— Statue of, 26, 46, 281
Women clerks, 275
Wood, Sir Charles, 159
Work curtailed, 129
Works department, 275
Wren, Mr., 230, 232
Wrottesley, Sir John, 131

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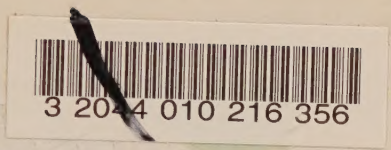

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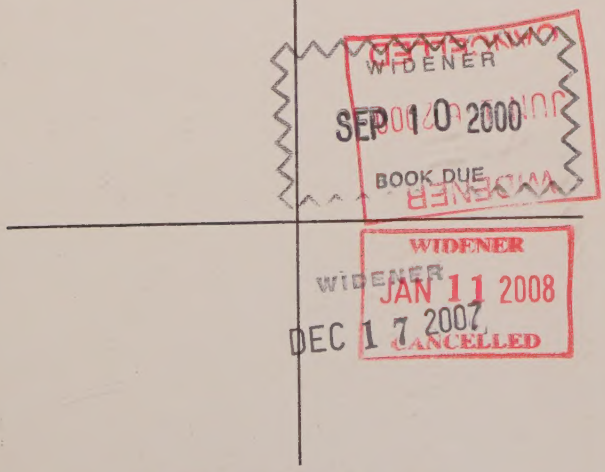

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